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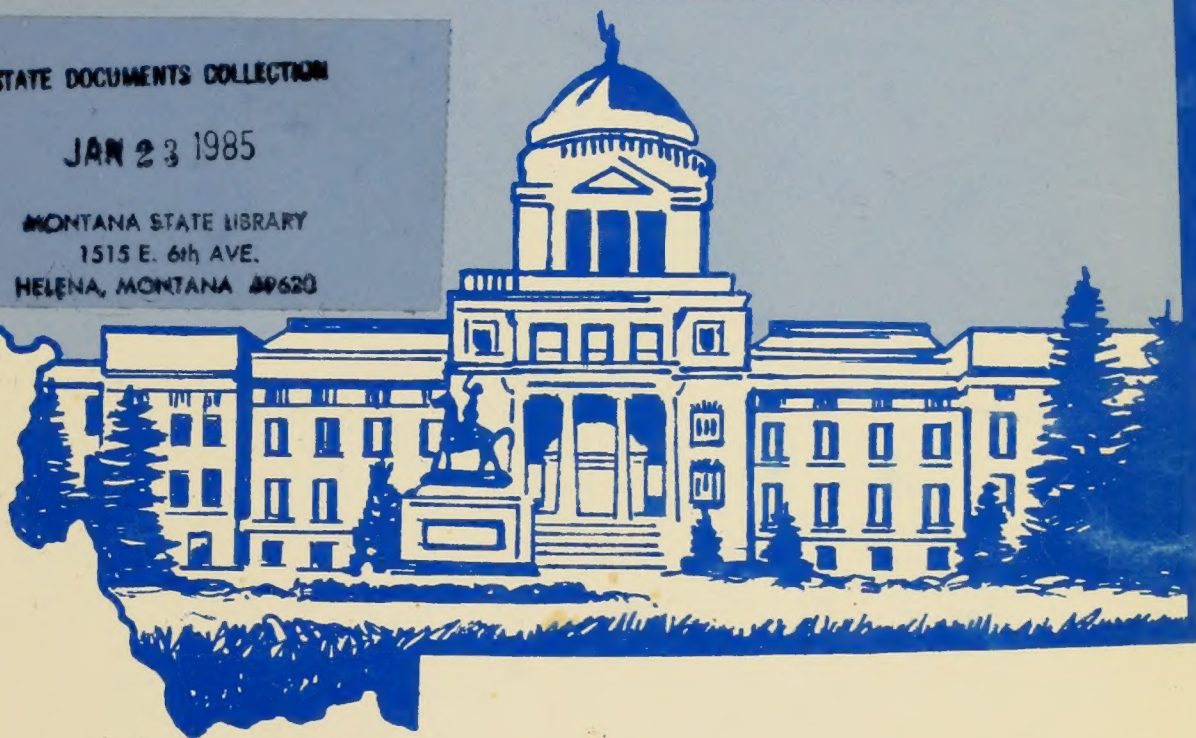
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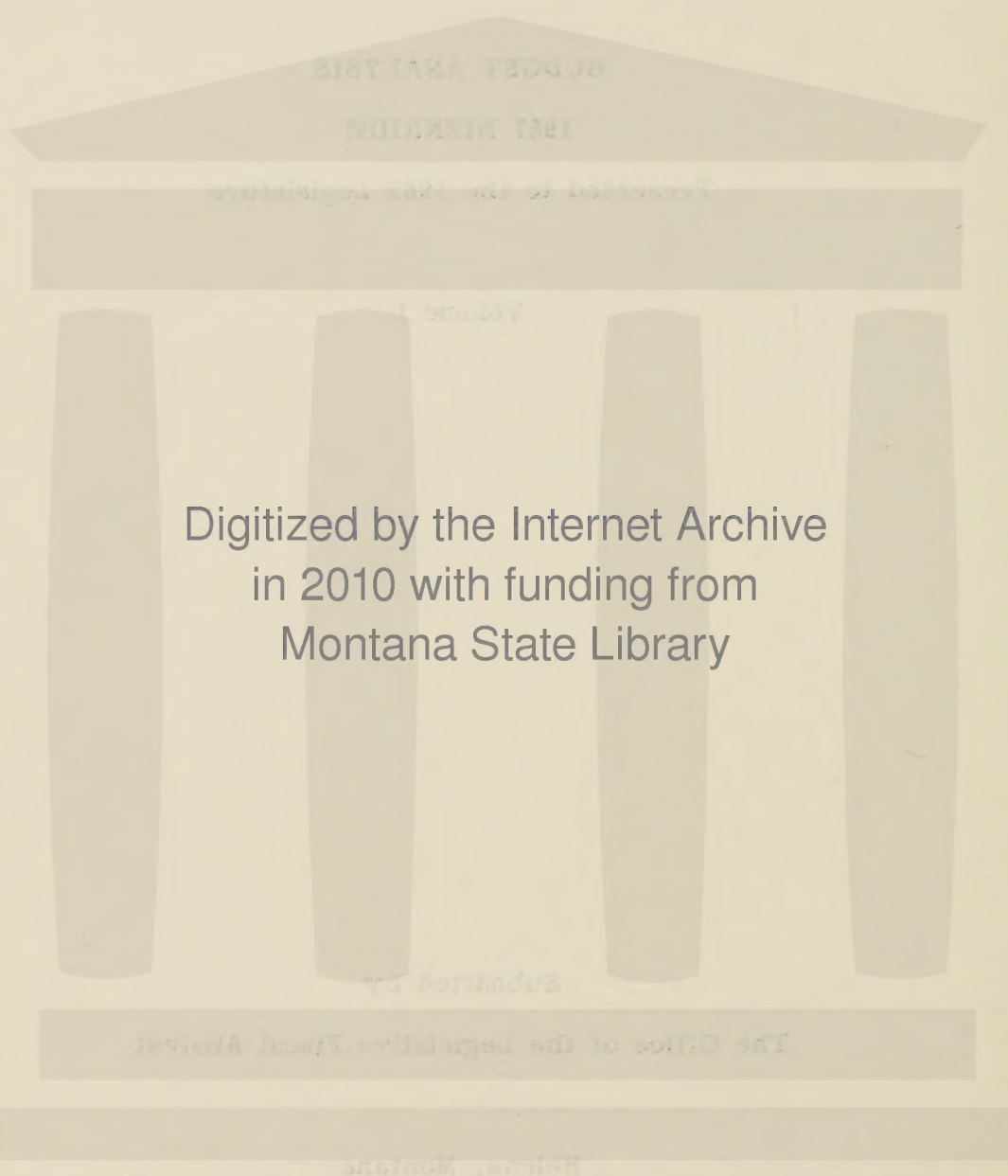
BUDGET ANALYSIS
1987 BIENNIUM
Presented to the 1985 Legislature

Volume I

Submitted by
The Office of the Legislative Fiscal Analyst

Helena, Montana

January 1985



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JUDY RIPPINGALE
LEGISLATIVE FISCAL ANALYST

STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/444-2986

January 1985

Members of the Forty-Ninth Legislature
Members of the Legislative Finance Committee

In accordance with the provisions of 5-12-302, MCA, I submit for your consideration an analysis of the executive budget for the 1987 biennium. The purpose of this analysis is to assist the legislature in performing its duties which are set forth in Article VIII of the Montana constitution as follows:

Article VIII, Section 9 - Balanced Budget. Appropriations by the legislature shall not exceed anticipated revenue.

Article VIII, Section 12 - Strict Accountability. The legislature shall by law insure strict accountability of all revenue received and money spent by the state and counties, cities, towns, and all other local governmental entities.

The Budget Analysis is designed to be a working document containing fiscal information relevant to appropriation decisions. We are available to assist all legislators in obtaining information related to fiscal issues.

Respectfully submitted,

A handwritten signature in cursive script that reads "Judy Rippingale".

Judy Rippingale
Legislative Fiscal Analyst

BUDGET ANALYSIS

TABLE OF CONTENTS

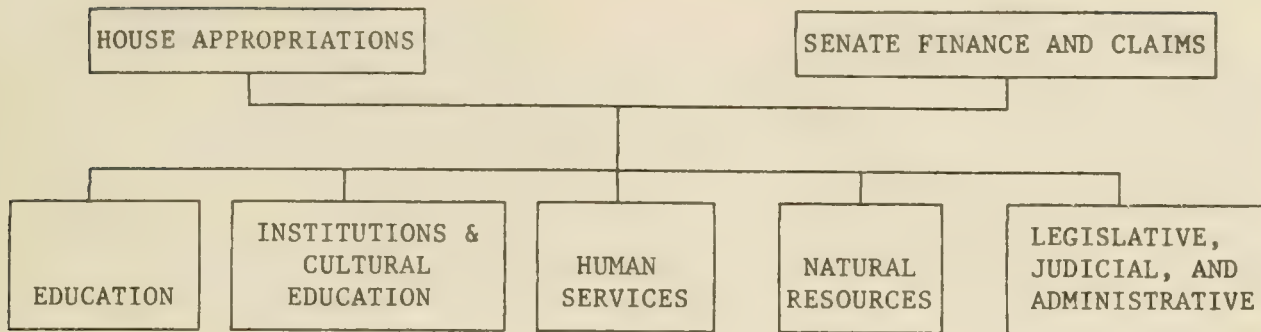
	<u>PAGE</u>
INTRODUCTION	1
SUBCOMMITTEE ORGANIZATION AND STAFF	2
GENERAL FUND EXPENDITURES BY SUBCOMMITTEE AREA	5
TOTAL EXPENDITURES BY SUBCOMMITTEE AREA	7
SUMMARY OF BUDGET ISSUES	8
GENERAL FUND SUMMARY	13
EXECUTIVE GENERAL FUND SUPPLEMENTAL REQUESTS	15
FTE COMPARISON	16
GENERAL FUND EXPENDITURE SUMMARY BY AGENCY	17
GENERAL FUND REVENUE PROJECTION	21
INFLATION FACTORS USED IN BUDGET ANALYSIS	48
EXECUTIVE PAY PLAN PROPOSAL	50
BUDGET ANALYSIS	
LEGISLATIVE, JUDICIAL, AND ADMINISTRATIVE	56
NATURAL RESOURCES AND COMMERCE	322
INSTITUTIONS	510
EDUCATION	638
HUMAN SERVICES	835
INDEX	1032

INTRODUCTION

The Budget Analysis provides extensive analyses of expenditure information and a comprehensive write-up on revenue estimates. The expenditure information for a typical agency program shows: (1) the base year, fiscal 1984, actual expenditures in comparison to the expenditures anticipated by the 1983 legislature; (2) the adjustments made to actual fiscal 1984 expenditures for one-time expenses or cost changes which do not involve new or different program policies; (3) the issues which change program policy or financing sources that have been developed or identified in the analyst's review of the fiscal 1984 expenditures and the 1987 biennium budget requests; and (4) the identification of expenditure or funding changes in the executive 1987 biennium budget which vary from the 1985 biennium program or funding policies.

The current level budget base is shown to allow legislators the opportunity to ascertain changes proposed in the executive budget. This current level is the fiscal 1984 costs adjusted for one-time expenses or cost changes which do not involve new or different program policies. These changes may be program increases or decreases, or alternate funding sources. Because these changes are identified does not imply they are good or bad, only that there are changes. The legislature, after ascertaining the facts, will make the decision on what fiscal policies will provide desired services for Montana citizens.

JOINT SUBCOMMITTEES OF HOUSE APPROPRIATION
AND SENATE FINANCE AND CLAIMS COMMITTEES



***** EDUCATION SUBCOMMITTEE *****

Board of Regents
Commissioner of Higher Education
Community Colleges
Bureau of Mines
Agricultural Experiment Station
Cooperative Extension Station
Forestry Experiment Station
University of Montana
Eastern Montana College
Western Montana College
Northern Montana College
Montana College of Mineral
Science and Technology

Montana State University
Fire Services Training School
Board of Public Education
Office of Public Instruction
Operations
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School Lunch
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Central Office Dept. of Institutions
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Alcohol and Drug Abuse Division
Corrections Division
Mental Health & Resident Service Div.
Service Division
Boulder River School & Hospital
Children's Center
Center for the Aged
Eastmont Training Center

Galen State Hospital
Swan River Youth Forest Camp
Warm Springs State Hospital
Mountain View School
Pine Hills School
Prison
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Veterans' Home
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Livestock
Natural Resources
Public Service Regulation

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Agriculture
Business Regulation
Commerce

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***** LEGISLATIVE, JUDICIAL, AND ADMINISTRATIVE *****

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 Environmental Quality Council
 Governor's Office
 Commissioner of Political Practices
 Judiciary
 Justice
 Revenue
 Disaster & Emergency Services
 Board of Visitors

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 New Construction
 Culture and Aesthetics
 Park Acquisition
 Land Acquisition

Resource Indemnity Trust
 Renewable Resource
 Development
 Water Development
 Alternative Energy

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House

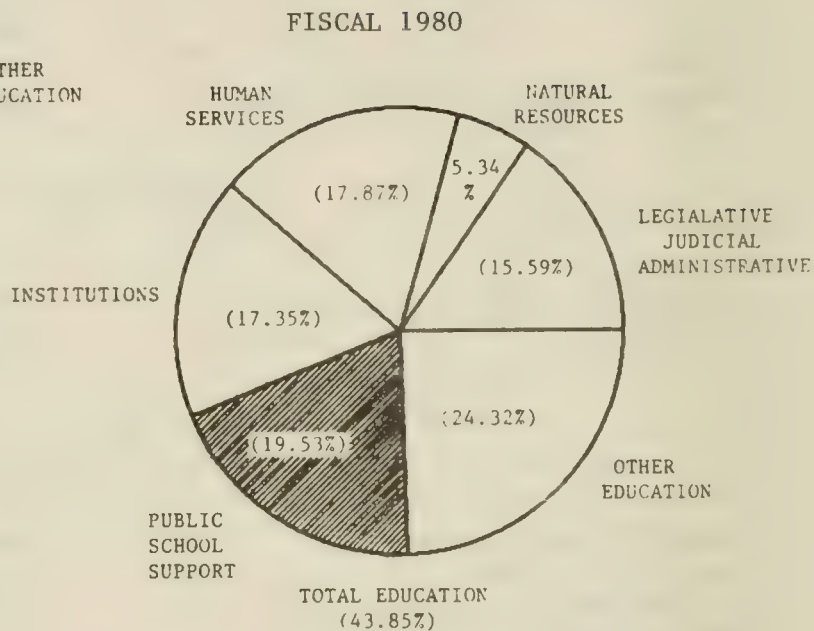
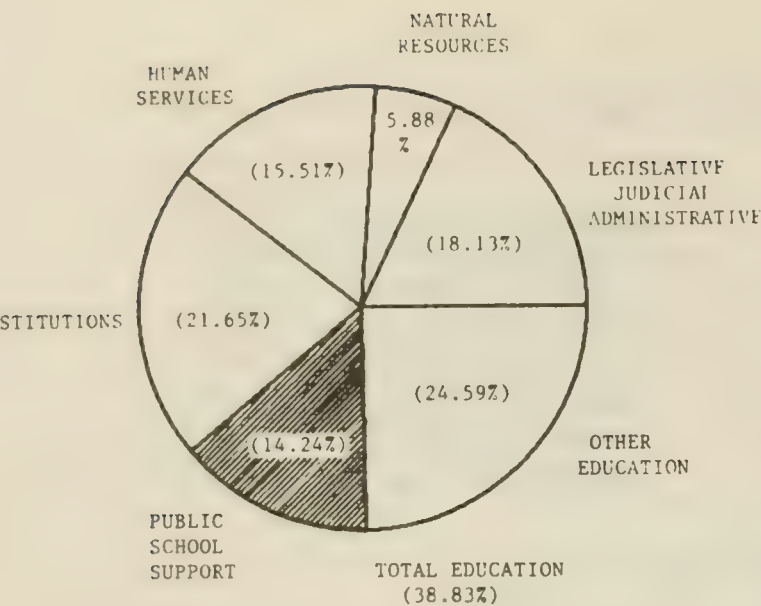
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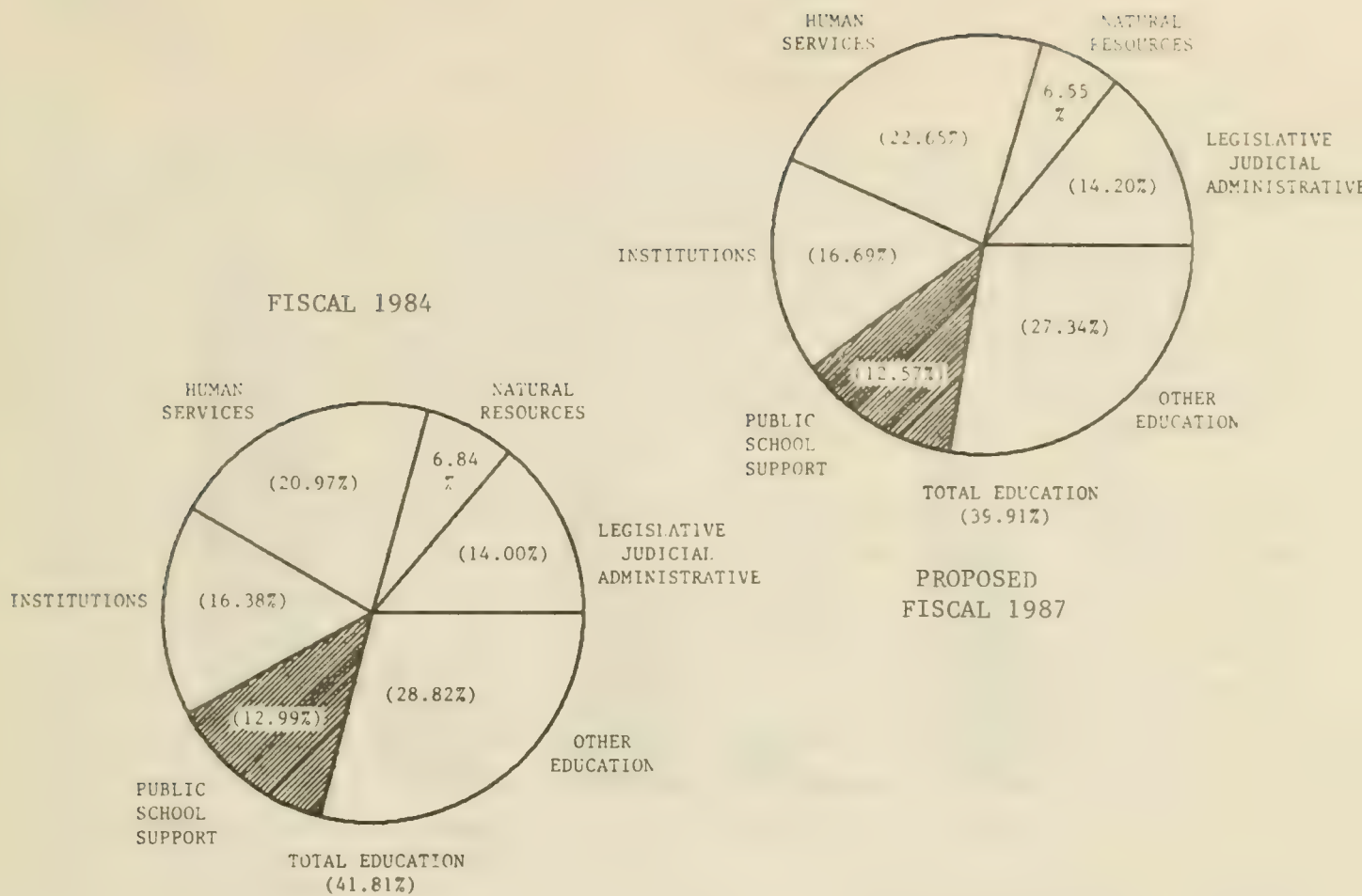
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GENERAL FUND EXPENDITURES BY SUBCOMMITTEE AREA

The six joint subcommittees of the House Appropriations and Senate Finance and Claims committees are Education, Institutions, Human Services, Natural Resources, Long-Range Building, and Legislative, Judicial and Administrative. The above charts show the relative shares of general fund expenditures by the agencies within each subcommittee area. A historical view is provided of actual general fund expenditures in fiscal years 1976, 1980, and 1984 as well as the executive proposal for fiscal 1987 appropriations. These charts are designed to show the relationship between subcommittee appropriations and annual program expenditures. The long-range building program, whose expenditures result from the cumulative decisions of several legislatures, has been excluded.

The agencies within the area of the Education Subcommittee receive the most general fund dollars. The largest budgets in this area are the Office of Public Instruction, which administers the public school foundation program, and the Commissioner of Higher Education through whose office general fund is distributed within the university system. In fiscal 1980, the relative share of general fund expenditures for public school support rose by 5 percent. In fiscal 1984, it fell by seven. Increases in both oil and gas leases and oil, gas, and coal tax revenues caused a surge in the funds available



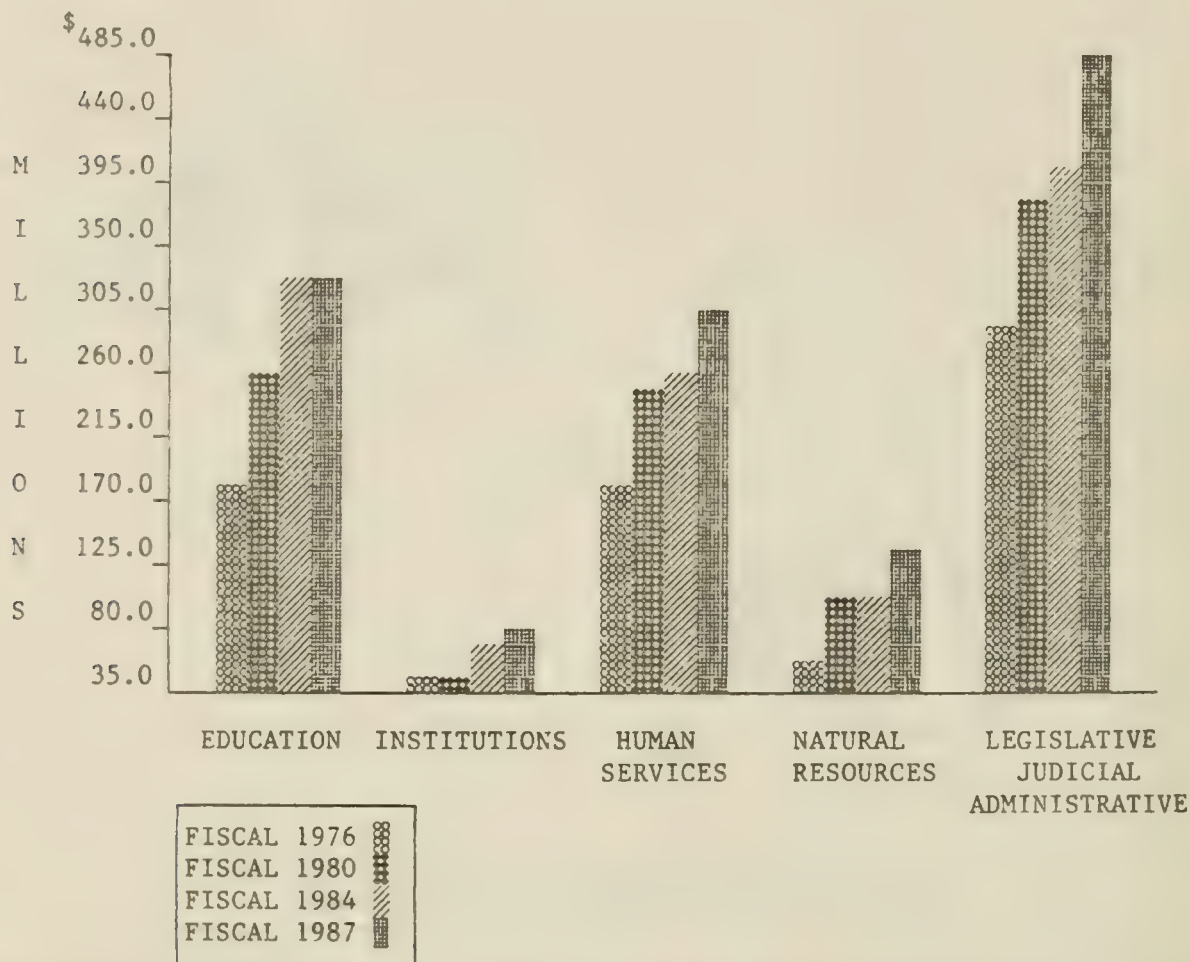
GENERAL FUND EXPENDITURES BY SUBCOMMITTEE AREA

for public school support in the late 1970's. By fiscal 1984, these tax revenues had declined as had public school enrollments. These declines along with a general fund reversion requirement, introduced in 1982, caused the general fund allocation to public schools to fall.

When the share of general fund expenditures for public school support rose in fiscal 1980, the relative shares of all other agency groupings, with the exception of Human Services, fell in response. Institutions and the Legislative, Judicial and Administrative agencies lost the largest shares in fiscal 1980, and their shares continued to decline in fiscal 1984. The share of general fund expenditures by Natural Resource agencies was temporarily reduced in fiscal 1980, but it more than recovered in fiscal 1984. It should be noted that in no year did total general fund expenditures fall for any agency grouping, only their relative shares.

In fiscal 1987, under the executive proposal, the portion of general funds allocated within Human Services would continue to grow. Institutions, Natural Resources, and Legislative, Judicial and Administrative would all fluctuate less than .35 percent, and the relative share of general fund appropriations within Education would fall by 2 percent.

TOTAL EXPENDITURES BY SUBCOMMITTEE AREA
FISCAL 1976, 1980, 1984 ACTUAL AND PROPOSED 1987



The above graphs show the total expenditures from all funds by the agencies within each subcommittee area. While the Legislative, Judicial and Administrative agency grouping represents a relatively small share of general fund expenditures, it comprises the largest total budget. Education, Human Services, Natural Resources, and Institutions follow in that order. In the eight years between fiscal 1976 and 1984, the Natural Resource agencies showed the most growth, increasing their total expenditures by 79 percent. The Education budget grew almost as much, showing a 75 percent increase. The Institutions budget grew 55 percent, while the Human Services and Legislative, Judicial and Administrative budgets each grew approximately 40 percent.

The executive fiscal 1987 proposal would increase total expenditures within the area of Natural Resources by 30 percent, within Human Services by 19 percent, within Legislative, Judicial and Administrative by 18.5 percent, within Institutions by 15 percent and within Education by 4 percent.

SUMMARY OF BUDGET ISSUES

1. General Fund Balance In our view the general fund revenue will not be sufficient to to maintain a general fund balance if all current level services are provided under present funding policies. The legislature is faced with service reductions, tax increases, and shifting funds between programs so resources are devoted to highest priority items. We feel it is sound fiscal policy for the legislature to maintain their practice of anticipating a fund balance which equals 3 percent of biennium revenues. For the 1987 biennium, this is \$22 million.

2. General Fund Revenue Comparison The LFA budget analysis projects general fund revenue totaling \$739.9 million for the 1987 biennium. In contrast, the executive budget forecasts revenue of \$780.4 million or \$40.5 million over the LFA projection. Major differences occur in the oil severance tax where the executive is \$9.5 million higher than the LFA and interest on investments where the executive is \$6.0 million higher. The executive also proposes increasing the cigarette tax 8 cents per package which it forecasts will raise revenue \$12.8 million during the 1987 biennium.

3. Increasing Fund Balance As illustrated in Table 1, the executive budget shows a \$120 million increase in the fund balance of the state special, federal, and proprietary funds.

Table 1
Changes in Fund Balance from Fiscal 1984 to 1987--Governor's Budget

Fund	Fiscal 1984	Fiscal 1987	- - - Change - - -	
			Dollars	Percent
State Special	\$194,767,852	\$377,258,485	\$182,490,633	94
Federal Special	1,896,044	114,258,027	112,361,983	4,926
Proprietary	61,438,627	144,179,118	82,740,491	135
Total	<u>\$258,102,523</u>	<u>\$635,695,630</u>	<u>\$377,593,107</u>	<u>146</u>

If the executive budget expects these funds to grow 146 percent, the legislature should: (1) scrutinize closely all fund balances and utilize them before general fund when possible; (2) determine whether earmarked fees or

taxes should be reduced; (3) ensure federal funds are being fully utilized; and (4) evaluate if rates charged in proprietary fund services are excessive.

4. Disbursement Procedures or Appropriation Limits The executive budget has \$80 million of funds included in the recommended budget which have previously not received a specific legislative appropriation each session. These funds are local government funds which the state collects and distributes according to existing statutes, such as police and firemen pension funds, forest service, alcohol taxes, oil and gas severance taxes, and financial institutions tax.

To include these payments in the appropriation bill implies that the legislature can alter the disbursement of these funds without a statute change. According to Section 17-8-103, MCA, in no event does a condition or limitation contained in an appropriation act, amend any other statute. Therefore, the mechanism for the distribution of the funds and the controlling laws on the amount of distribution need to be examined and clearly established in statute.

The one-third of the oil severance tax designated for the local government block grant received a specific appropriation in the general appropriation act of 1983 and is included in both the Governor's budget and the current level analysis as a state special revenue fund appropriation. This item has the same characteristics as the above distributions to local government and should be considered in conjunction with the above item.

5. Statutory Appropriation Included in the executive budget is \$28 million of highway gas tax distributed to local government and \$24.2 million of debt service payments. These costs are appropriated in statute and can not be altered by an appropriation bill.

6. Proposed Cigarette Tax Increase The executive budget proposes raising the cigarette tax to 24 cents per package effective October 1, 1985. The 8-cents increase by the state would occur at the same time the federal government reduces its tax by that amount, leaving total cigarette taxes unchanged. According to the executive, the additional revenue generated by the state tax increase would total \$12.8 million during the 1987 biennium and be deposited in a "rainy day fund to help assure a reasonable ending (general) fund balance on June 30, 1987." Our projections are that an 8-cent increase in the cigarette tax would raise \$10.9 million of revenue in the 1987 biennium. The current level analysis does not include any tax increases.

7. Local Government Block Grant The 1983 legislature established the Local Government Block Grant to distribute funds to local governments to supplement local tax revenues lost with the fee system of vehicle registration. The Local Government Block Grant is comprised of two parts:

- (a) a general services block grant for municipalities, counties, school districts, and other jurisdictions and
- (b) a general services block grant for counties and municipalities.

Funding for the block grant consists of one-third of the oil severance tax and general fund. The law requires the general purpose block grant be funded, before any other distributions are made, in an amount sufficient to cover reimbursements to local governments as calculated according to the formula in Section 61-3-536, MCA. The general services block grant is funded from a percentage of remaining funds deposited in the state special revenue account.

In the 1987 biennium, the estimated cost of the general purpose block grant is \$17,278,000 in fiscal 1986 and \$17,875,000 in fiscal 1987. Based on current estimates of the oil severance tax and applying the 1985 biennium level of general fund, or \$3.0 million, the available funds will not fully fund the general services grant in the 1987 biennium. The shortfall is estimated to be \$7,417,000 in the 1987 biennium. No funding will be available for the general services block grant in the 1987 biennium. The legislature has the option of appropriating additional general fund to fully fund the local government block grant in the 1987 biennium.

8. Distribution of Coal Severance Tax The current level analysis distributed projected coal severance tax revenue in accordance with current statutes. In contrast, the executive budget proposes that the share deposited in the school equalization aid and local impact accounts be reversed. Adopting the executive proposal would mean depositing 8.75 percent of total coal severance tax revenue in the school account in fiscal 1986 and 7.70 percent in fiscal 1987; the local impact account would receive 5.00 percent in fiscal 1986 and 4.40 percent in fiscal 1987. Over the 1987 biennium, the school account would gain \$6.7 million and the local impact account would lose the same amount using LFA revenue projections.

9. Public School Funding The executive budgeted proposes providing a 2.4 percent and a 3 percent increase in public school schedules in fiscal 1986 and 1897, respectively. To assist in funding these increases, the allocation of coal tax, is increased from 5 percent for public schools to 8 3/4 percent. The executive projects this will provide an additional \$7.6 million. The general fund

requirement projected by the executive for formulation and permissive public school support is \$26.6 million.

Current level analysis indicates a general fund requirement of \$54.6 million to maintain public schools at the fiscal 1984 level with adjustments for inflation. Higher schedule increases of 4 percent per year contributed \$10.4 million to the higher general fund cost. Lower estimates of non-general fund revenues constituted \$17.6 million of the difference. In addition, the LFA analysis projects \$7.4 million less in revenues to the general fund in the current biennium.

10. Social and Rehabilitation Services The current level analysis for the 1987 biennium is \$44 million less than the executive request. Principle causes for this difference includes a higher projected AFDC caseload in the executive request that results in \$7 million of additional expenditures for AFDC payments, \$10 million to offset anticipated costs associated with federal changes in medicaid client eligibility, and \$18 million for expansion of services to the developmentally disabled, home and community based services, and expanded or new services for vocational rehabilitation.

The executive request is 123.30 FTE above the current level. The Social Services Program includes 54 additional social worker positions to reduce social workers caseload. The Eligibility Determination Program has requested 36 additional eligibility technicians as part of a five year program that would ultimately increase the eligibility technician staff by 92 FTE.

11. Developmentally Disabled House Bill 909 passed by the 1983 legislature, established a review committee to evaluate and recommend changes in the state's Developmental Disability Program and specifically to address the future role of Boulder River School and Hospital. As a result of the committee recommendation, the executive budget includes \$2 million for the first phase of a proposed reduction in the Boulder population by transferring 42 individuals to community based programs. However, the proposed transfer of residents would not occur until the latter part of fiscal 1987 and the \$2 million does not reflect the full annualized cost of the transfer. In addition, the executive request includes the reduction of 80.50 FTE at Boulder in conjunction with the transfer of residents to the community. In consideration of the executive's request to fund House Bill 909 recommendations, the legislature may wish to request a detailed analysis from the executive that would project the full future costs annualized with this recommendation.

12. Long-Range Building As of this printing, the executive has not submitted its proposals for the cash portion of the Long-Range Building Program (LRBP). The Governor's budget has noted, however, that there will be no new proposals for bonded projects. The cash available for appropriation in the 1987 biennium is estimated to be \$7,827,065.

13. Modified Requests The executive budget defines \$84.4 million of their budget recommendation as services above current level. This is \$19.9 million of new general fund services and \$64.5 million of new services paid for with state special revenue, federal funds, or proprietary funds.

GENERAL FUND SUMMARY

Based on its revenue forecasts and recommended appropriations, the executive projects a general fund balance of \$16.1 million for the end of the 1987 biennium. Maintaining current level as defined in the LFA budget analysis results in an ending general fund balance of minus \$37.6 million or \$53.7 million less than the executive. Table 1 compares general fund balances forecast by the executive and the LFA.

Table 1
1987 Biennium Projected General Fund Balance
(Millions)

	Executive Budget	LFA Current Level	Executive Over(Under) LFA
Beginning Fund Balance, July 1, 1985	\$ 29.0	\$ 2.2	\$26.8
Revenue	<u>780.4</u>	<u>739.9</u>	<u>40.5</u>
Total Funds Available	\$809.4	\$742.1	\$67.3
Expenditures	<u>793.2</u>	<u>779.7</u>	<u>13.5</u>
Ending Fund Balance, June 30, 1987	<u><u>\$16.2</u></u>	<u><u>\$(37.6)</u></u>	<u><u>\$53.8</u></u>

The executive and LFA projections disagree in the beginning balance, anticipated revenues, and expenditures. Three differences account for the higher beginning fund balance forecast by the executive:

1. The executive uses the fiscal 1984 ending fund balance shown on the state's financial statements which is \$8.4 million higher than the balance in the Statewide Budgeting and Accounting System which was used in the LFA analysis.
2. The executive forecasts \$13.7 million more in fiscal 1985 revenue than the LFA.
3. According to the executive, the school foundation program will revert \$22.7 million in fiscal 1987 compared with the LFA projection of \$14.6 million.

Differences in revenue projections are explained elsewhere in the budget analysis. Besides the \$27.7 million more in revenue the executive expects from current law compared with the LFA, it proposes raising the cigarette tax to generate \$12.8 million in additional revenue over the 1987 biennium.

Because expenditures exceed revenue under either the executive budget or the LFA current level projections, the general fund balance is projected to decline. The executive estimates the decline at \$12.8 million or \$25.6 million if the cigarette tax is not increased as proposed. The LFA analysis foresees a decline of \$39.8 million with no tax increases.

GENERAL FUND SUPPLEMENTAL REQUESTS IN EXECUTIVE BUDGET

The Executive Budget contains \$6.0 million for general fund supplemental appropriations in fiscal 1985. In Table 1, the individual supplementals are listed by agency, activity, and the amount requested.

Table 1
Supplemental Appropriations Contained in Executive Budget

<u>Agency</u>	<u>Activity</u>	<u>Amount</u>
Supreme Court	Pay Plan Costs for District Judges, Etc.	\$ 93,502
Secretary of State	Data Processing Costs	85,000
Public Instruction	Match for Federal School Lunch Funds	2,750
Justice	Indian Legal Jurisdiction	217,000
Public Service Comm.	MPC Pipeline Case	13,300
State Library	Penalties with Crabtree Decision	44,144
Health	Legal Costs and Retirement	70,000
Lands	Fire Suppression Costs	2,389,252
Livestock	Rabies Control, Upgrades & Retirement	32,000
Commerce	BN Legal Costs & Hard Rock Mining Costs	218,697
Disaster & Emergency	Pay Plan Costs	10,000
SRS	Medicaid and AFDC Costs	2,535,611
Labor & Industry	Classification Appeal & Lost Federal Funds	35,612
Total Supplementals by Agency		\$5,746,868 =====

In addition to the individual requests listed in Table 1, the Executive Budget has allowed \$253,132 for miscellaneous supplementals. Supplemental requests are anticipated from the State Auditor in the amount of \$40,000 to \$110,000 for retirement costs and from the Department of Labor and Industry in the amount of \$49,700 for silicosis benefits.

TABLE
COMPARISON OF FULL-TIME EQUIVALENT (FTE) POSITIONS BY AGENCY

Agency	Actual	Appropriated	---Current Level---	
	FY '84	FY '85	FY '86	FY '87
Administration	439.92	443.67	403.84	408.59
Agriculture	97.77	95.74	87.74	87.74
Arts Council	4.00	4.00	4.00	4.00
Auditor, State	59.00	59.00	58.00	58.00
Commerce	233.63	232.83	233.83	233.83
Deaf and Blind School	85.36	85.36	85.36	85.36
Fire Services Training	6.00	6.00	6.00	6.00
Fish, Wildlife and Parks	511.29	460.47	459.47	459.47
Governor's Office	58.02	57.50	55.40	55.40
Health and Environmental Sciences	229.15	224.18	216.35	215.35
Highways	1,930.36	1,971.85	1,934.35	1,932.85
Historical Society	48.57	44.00	42.50	42.50
Institutions	2,178.33	2,242.51	2,272.86	2310.36
Justice	546.60	544.85	543.85	543.85
Labor and Industry	780.40	773.40	767.90	767.90
Lands	260.35	266.43	266.43	266.43
Legislative Agencies	136.07	146.00	134.03	144.00
Library Commission	25.50	25.50	25.50	25.50
Livestock	122.61	122.61	121.61	121.61
Military Affairs	80.75	80.00	79.00	79.00
Natural Resources and Conservation	266.90	253.79	248.09	248.59
Political Practices, Commissioner	5.00	5.00	5.00	5.00
Public Education, Board of	2.00	2.00	2.00	2.00
Public Service Regulation	46.84	49.00	45.00	45.00
Revenue	1,013.93	1,012.55	971.30	971.30
Secretary of State	30.00	30.00	28.00	28.00
Social and Rehabilitation Services	1,043.12	1,039.62	1,037.82	1,037.82
Superintendent of Public Instruction	136.10	136.10	124.45	124.45
Supreme Court	85.00	90.50	91.00	91.00
Vo Ed., Advisory Council	2.00	2.00	2.00	2.00
Subtotals	10,464.57	10,506.46	10,352.72	10,402.90
University System	3,508.62	3,658.56	3,646.91	3,646.91
TOTAL	13,973.19	14,165.02	13,999.63	14,049.81

1. Actual fiscal 1984 includes both current level FTE positions and budget amended positions.
2. University System FTE are estimated. Actual fiscal 1984 FTE for six units are from Commissioner of Higher Education Fiscal 1985 Operating Budget Summary.

CENTRAL FUND EXPENDITURE SUMMARY BY AGENCY

	-----Fiscal 1986-----			-----Fiscal 1987-----			-----1987 Biennium-----	
	Executive Budget	LFA Current Level	Executive Over (Under) LFA	Executive Budget	LFA Current Level	Executive Over (Under) LFA	Executive Over (Under) LFA	
Legislative, Judicial and Administrative								
Legislative Auditor	\$ 1,370,944	\$ 1,204,658	\$ 166,286	\$ 1,335,845	\$ 1,167,777	\$ 168,068	\$ 334,354	
Legislative Council	2,124,317	1,759,212	365,105	2,358,620	2,014,387	344,233	709,338	
Legislative Fiscal Anal.	679,906	628,360	51,546	718,568	688,424	30,144	81,690	
Environ. Quality Coun.	244,446	236,895	7,551	244,668	238,214	6,454	14,005	
Governor's Office	2,363,814	2,049,483	314,331	2,375,809	2,090,880	284,929	599,260	
State Auditor	1,971,845	1,694,482	277,363	1,935,316	1,697,051	238,265	515,628	
Secretary of State	893,561	871,239	22,322	917,998	909,192	8,806	31,128	
Comm. of Pol. Pract.	147,131	150,163	(3,032)	141,218	144,953	(3,735)	(6,767)	
Judiciary	4,256,684	4,125,939	130,745	4,233,949	4,130,934	103,015	233,760	
Administration	16,088,860	3,943,940	12,144,920	16,091,659	3,972,844	12,118,815	24,263,735	
Justice	8,786,233	8,834,731	(48,498)	8,380,222	8,835,601	(455,379)	(503,877)	
Crime Control	440,666	432,702	7,964	427,785	428,224	(439)	7,525	
Revenue	19,940,521	17,002,172	2,938,349	18,942,802	16,909,574	2,033,228	4,971,577	
Adjutant General	1,159,965	1,193,931	(33,966)	1,183,523	1,222,590	(39,067)	(73,033)	
Diseaster & Emerg. Serv.	229,152	225,667	3,485	227,975	224,967	3,008	6,493	
Veterans Affairs	468,264	458,506	9,758	465,477	457,574	7,903	17,661	
Total LJA	\$61,166,309	\$44,812,080	\$16,354,229	\$59,981,434	\$45,133,186	\$14,848,248	\$31,202,477	
Human Services								
Labor & Industry	\$ 1,062,768	\$ 953,994	\$ 108,774	\$ 1,072,008	\$ 961,224	\$ 110,784	\$ 219,558	
Workers Compensation	716,179	716,179	-0-	681,194	681,194	-0-	-0-	
Employment Services	375,000	375,000	-0-	375,000	375,000	-0-	-0-	
Health & Environ. Sci.	3,761,154	3,298,854	462,300	3,685,258	3,241,618	443,640	905,940	
Social & Rehab. Serv.	75,984,588	69,690,618	6,293,970	84,007,005	73,580,521	10,426,484	16,720,454	
Total Human Services	\$81,899,689	\$75,034,645	\$6,865,044	\$89,820,465	\$78,839,557	\$10,980,908	\$17,845,952	

GENERAL FUND EXPENDITURE SUMMARY BY AGENCY

	-----Fiscal 1986-----		-----Fiscal 1987-----		-----1987 Biennium	
	Executive Budget	LFA Current Level	Executive Budget	LFA Current Level	Executive Over (Under) LFA	Executive Over (Under) LFA
Natural Resources & Bus.						
Public Service Regul.	\$ 1,640,419	\$ 1,517,070	\$ 1,654,024	\$ 1,519,079	\$ 134,945	\$ 258,294
Livestock	664,101	591,974	663,014	594,765	68,249	140,376
Agriculture	1,723,172	1,480,664	1,600,182	1,484,298	115,884	358,392
State Lands	7,338,817	6,369,529	7,234,818	6,451,403	783,415	1,752,703
Natural Resources	5,938,603	4,472,581	5,706,439	4,371,160	1,335,279	2,801,301
Fish, Wildlife, & Parks	624,730	512,330	624,730	533,553	91,177	203,577
Commerce	7,560,364	7,433,299	7,504,615	7,433,203	71,412	198,477
Total Nat. Resources and Business	\$25,490,206	\$22,377,447	\$24,987,822	\$22,387,461	\$ 2,600,361	\$ 5,713,120
Institutions						
Central Office	\$10,728,321	\$10,879,311	\$10,797,256	\$11,124,833	\$ (327,577)	\$ (478,567)
Boulder School	10,793,362	11,155,385	10,132,470	11,257,723	(1,125,253)	(1,487,276)
Center for the Aged	2,578,448	2,554,867	2,566,871	2,555,847	11,024	34,605
Eastmont Train. Cntr.	2,101,036	2,108,024	2,206,233	2,113,022	93,211	86,223
MT. State Hospital	17,805,503	18,096,109	17,826,036	18,157,738	(331,702)	(622,308)
Mountain View School	1,604,553	1,636,836	1,599,386	1,643,905	(44,519)	(76,802)
Pine Hills School	2,708,047	2,696,837	2,692,663	2,724,004	(31,341)	(20,131)
State Prison	10,799,467	9,605,246	11,741,354	9,699,189	2,042,165	3,236,386
Swan River	829,938	833,502	806,271	830,344	(24,073)	(27,637)
Veteran's Home	543,761	431,188	548,171	448,186	99,985	212,558
Board of Pardons	163,642	160,322	161,863	159,322	2,541	5,861
MT Youth Treatment	2,521,199	2,456,168	2,514,906	2,474,502	40,404	105,435
Total Institutions	\$63,177,277	\$62,613,795	\$63,593,480	\$63,188,615	\$ 404,865	\$ 968,347

GENERAL FUND EXPENDITURE SUMMARY BY AGENCY

Education	-----Fiscal 1986-----			-----Fiscal 1987-----			1987 Biennium
	Executive Budget	LFA Current Level	Executive Over (Under) LFA	Executive Budget	LFA Current Level	Executive Over (Under) LFA	
Ed. of Public Ed.	\$ 184,772	\$ 103,157	\$ 81,615	\$ 177,821	\$ 102,498	\$ 75,323	\$ 156,938
Super. of Public Inst.							
Operating	2,312,857	2,299,808	13,049	2,289,852	2,301,030	(11,178)	1,871
Special Education	28,304,622	28,544,492	(239,870)	28,860,514	29,380,218	(519,704)	(759,574)
School Lunch	707,298	640,000	67,298	707,298	655,000	52,298	119,596
Transportation	6,207,720	6,175,000	32,720	6,331,874	6,295,000	36,874	69,594
Gifted & Talented	100,000	100,000	-0-	100,000	100,000	-0-	-0-
Secondary Vo-Ed	750,000	750,000	-0-	750,000	750,000	-0-	-0-
Public School Support	13,652,198	25,330,000	(11,677,802)	13,285,153	29,300,000	(16,014,847)	(27,492,649)
Vo-Tech Centers	4,815,569	4,307,830	507,739	4,607,517	4,153,764	453,753	961,492
Library Commission	650,721	519,670	131,051	600,428	506,534	93,894	224,945
Historical Society	1,092,025	1,027,466	64,559	1,112,500	1,038,838	73,662	138,221
Arts Council	177,575	122,647	54,928	167,185	128,204	38,981	93,909
School for Deaf & Blind	3,541,045	2,652,627	888,418	1,989,379	2,705,528	(716,149)	172,269
Community Colleges	3,441,848	3,286,669	155,179	3,590,927	3,300,290	290,637	445,816
Comm. of Higher Educ.	2,978,100	2,892,874	85,226	2,816,552	2,789,417	27,135	112,361
Bureau of Mines	1,398,735	1,429,769	(31,034)	1,396,402	1,450,674	(54,272)	(85,306)
Ag. Exper. Station	6,367,559	5,647,693	719,866	6,319,150	5,640,092	679,058	1,398,924
Coop. Ext. Service	2,143,911	2,150,351	(6,440)	2,087,385	2,120,539	(33,154)	(39,594)
Board of Regents	25,138	24,622	516	25,320	25,263	57	573
Six Units	77,576,394	74,080,362	3,496,032	75,163,631	74,056,029	1,107,602	4,603,634
Fire Services Training							
School	285,802	233,230	52,572	273,729	234,999	38,730	91,302
Forestry Exp. Station	657,153	672,933	(15,780)	673,227	677,739	(4,512)	(20,292)
Total	<u>\$157,371,042</u>	<u>\$162,991,200</u>	<u>\$ (5,620,158)</u>	<u>\$153,325,844</u>	<u>\$167,711,656</u>	<u>\$ (14,385,812)</u>	<u>\$ (20,005,970)</u>

GENERAL FUND EXPENDITURE SUMMARY BY AGENCY

Summary	-----Fiscal 1986-----			-----Fiscal 1987-----			1987 Biennium
	Executive Budget	LFA Current Level	Executive Over (Under) LFA	Executive Budget	LFA Current Level	Executive Over (Under) LFA	Executive Over (Under) LFA
Education	\$157,371,042	\$162,991,200	\$(5,620,158)	\$153,325,844	\$167,711,656	\$(14,385,812)	\$(20,005,970)
Legislative, Judicial and Administrative	61,166,309	44,812,080	16,354,229	59,981,434	45,133,186	14,848,248	31,202,477
Human Services	81,899,689	75,034,645	6,865,044	89,820,465	78,839,557	10,980,908	17,845,952
Nat. Resources & Bus. Institutions	25,490,206	22,377,447	3,112,759	24,987,822	22,387,461	2,600,361	5,713,120
	63,177,277	62,613,795	563,482	63,593,480	63,188,615	404,865	968,347
Total	<u>\$389,104,523</u>	<u>\$367,829,167</u>	<u>\$21,275,356</u>	<u>\$391,709,045</u>	<u>\$377,260,475</u>	<u>\$14,448,570</u>	<u>\$35,723,926</u>
Pay Plan	\$ 5,800,000	\$ 5,800,000	\$ -0-	\$ 11,600,000	\$ 11,600,000	\$ -0-	\$ -0-
Est. Reversions	(6,500,000)	(6,500,000)	-0-	(6,500,000)	(6,500,000)	-0-	-0-
Class Enhance/Comp Worth	2,000,000	-0-	2,000,000				2,000,000
Reserve for Elected Officials	1,000,000	-0-	1,000,000	1,000,000	-0-	1,000,000	2,000,000
Legislative Feed Bill	-0-	-0-	-0-	4,000,000	4,000,000	-0-	-0-
Total	<u>\$391,404,523</u>	<u>\$367,129,167</u>	<u>\$24,275,356</u>	<u>\$401,809,045</u>	<u>\$386,360,475</u>	<u>\$15,448,570</u>	<u>\$39,723,926</u>

GENERAL FUND REVENUE PROJECTION

General fund revenue in the 1987 biennium is projected to total \$739.9 million, an increase of 8.4 percent over the \$682.6 million in revenue forecast for the 1985 biennium. Table 1 compares actual fiscal 1984 revenues by category with projections for fiscal years 1985 through 1987.

Table 1
General Fund Revenue
(Thousands)

Category	Actual	- - - - Projected - - - -				- - Percent Change - -	
	FY '84	FY '85	FY '86	FY '87	'84-'85	'85-'86	'86-'87
Individual Income Tax	\$109,022	\$113,044	\$123,442	\$133,513	3.7	9.2	8.2
Corporation License Tax	20,547	31,217	29,388	32,561	51.9	(5.9)	10.8
Coal Severance Tax	15,736	16,329	17,028	16,934	3.8	4.3	(0.6)
Oil Severance Tax	32,686	30,663	23,466	25,059	(6.2)	(23.5)	2.5
Interest on Investments	23,899	25,044	23,044	21,920	4.8	(8.0)	(4.9)
Long-range Bond Excess	41,683	36,185	37,479	39,582	(13.2)	3.6	5.6
Coal Trust Fund Interest	18,948	23,455	28,383	33,465	23.8	21.0	17.9
Insurance Premiums Tax	13,621	15,753	16,195	16,737	15.6	2.8	3.4
Institutional Reimbursement	9,180	15,281	14,902	15,356	66.5	(2.5)	3.0
Liquor Profits	5,782	5,197	5,263	5,315	(10.1)	1.3	1.0
Liquor Excise Tax	6,416	6,029	6,045	6,038	(6.0)	0.2	(0.1)
Inheritance Tax	5,960	6,247	6,247	6,247	4.8	0.0	0.0
Metal Mines Tax	2,630	1,610	1,149	1,282	(38.8)	(28.6)	11.6
Electrical Energy Tax	2,413	2,084	2,074	2,165	(13.6)	(0.5)	4.4
Drivers' License Fees	800	905	905	905	13.1	0.0	0.0
Telephone License Tax	2,522	2,661	2,798	2,944	5.5	5.2	5.2
Beer License Tax	1,204	1,175	1,146	1,096	(2.5)	(2.4)	(4.4)
Natural Gas Severance Tax	2,798	2,736	2,486	2,500	(2.2)	(9.1)	0.6
Freight Line Tax	1,334	1,387	1,450	1,522	4.0	4.5	5.0
Wine Tax	905	967	1,015	1,066	6.9	5.0	5.0
Other Revenue	12,219	14,364	14,326	15,413	17.6	(0.3)	7.6
Total	<u>\$330,305</u>	<u>\$352,333</u>	<u>\$358,231</u>	<u>\$381,620</u>	<u>6.7</u>	<u>1.7</u>	<u>6.5</u>

During the 1987 biennium, general fund revenue is forecast to grow at an average yearly rate of 4.1 percent, compared with an average rate of 3.9 percent during the 1985 biennium. A major contributor to growth in the 1987 biennium is the individual income tax which grows 9.2 percent in fiscal 1986 and 8.2 percent in fiscal 1987. Much of that growth is attributable to indexing at the federal level which reduces the growth in federal tax liabilities and itemized deductions and increases the growth in state tax liabilities. With its fund balance augmented by coal severance tax and interest deposits, interest on the

coal trust fund deposited in the general fund also contributes to overall growth by increasing 21.0 percent in fiscal 1986 and 17.9 percent in fiscal 1987.

General fund revenue projections for the 1987 biennium are premised on the assumptions of no changes in current tax law and continuation of the current modest economic recovery now underway. The rate of inflation is projected to rise from the current 4-percent level, while interest rates fall from the rates which prevailed in the early 1980's. Oil prices are forecast to decline \$2 a barrel between fiscal 1984 and 1986 before rising in fiscal 1987. During the forecast period, no acceleration in the pace of natural resource development in Montana is anticipated. If tax laws change or the economic conditions assumed herein do not materialize, actual general fund revenue can be expected to differ from that now forecast.

The following sections discuss the basis of the projections for each source of general fund revenue.

INDIVIDUAL INCOME TAX

The individual income tax is the largest single source of general fund revenue, contributing one-third of total receipts in fiscal 1984. Collections depend on income received by individuals and statutes which specify allowable credits and the indexing of exemptions, deductions, and tax brackets. Because the tax tables are indexed, the rate of inflation as measured by the consumer price index affects revenue. Table 2 shows historic and projected general fund revenue from the individual income tax.

Table 2
Historic and Projected General Fund Revenue from the Individual Income Tax
Fiscal Years 1980 Through 1987

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1980	\$ 86,391,870	--
1981	93,463,223	8.2
1982	92,034,568	(1.5)
1983	97,152,215	5.6
1984	109,021,660	12.2
----- Projected -----		
1985	113,044,000	3.7
1986	123,442,000	9.2
1987	133,513,000	8.2

The indexing of tax liabilities began with calendar year 1981, which accounts for the drop in revenue in fiscal 1982.

During the forecast period, income growth averages 7 percent annually. While this rate of growth is higher than Montana experienced in the early 1980's, which contained several recessions, projected income growth is lower than rates in the late 1970's and reflects the modest rate of expansion forecast for the state's economy.

Inflation rises from the current 4 percent level to 5.5 percent for fiscal 1987. Even modest growth nationally is enough to accelerate the rate of price increase.

In fiscal 1985, individual income tax revenue rises 3.7 percent, followed by increases of 9.2 percent in fiscal 1986 and 8.2 percent in fiscal 1987. The higher growth rates during the 1987 biennium are attributable to the indexing of federal income tax liabilities which slows the increase in itemized deductions and makes more income taxable at the state level.

CORPORATION LICENSE TAX

Corporations doing business in Montana are assessed a corporation license tax equal to 6.75 percent of their net incomes. Distribution of revenue depends on the type of corporation paying the tax. Revenue collected from banks and savings and loan associations is allocated 80 percent to the taxing jurisdiction in which the financial institution is located and 20 percent to the state. When this 20 percent is combined with all revenue from corporations other than financial institutions, 64 percent of the total is deposited in the general fund, 25 percent in the school equalization aid account, and 11 percent in the long-range building debt service account. Table 3 shows historic and projected general fund revenue from the corporation license tax since fiscal 1980.

Table 3
Historic and Projected General Fund Revenue from the Corporation License Tax
Fiscal Years 1980 Through 1987

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1980	\$26,658,417	--
1981	30,962,755	16.2
1982	26,234,449	(15.3)
1983	20,733,658	(21.0)
1984	20,547,177	(0.9)
----- Projected -----		
1985	31,217,000	51.9
1986	29,388,000	(5.9)
1987	32,561,000	10.8

The decline in revenue over fiscal years 1982 through 1984 resulted from economic conditions, implementation of the accelerated cost recovery system in 1981 which increased depreciation allowances and reduced profits, and enactment of the business inventory tax credit by the 1981 legislature.

Improving economic conditions and elimination of the business inventory tax credit are expected to cause corporation tax collections to rise during the forecast period. In addition, the Department of Revenue collected \$10.5 million from a corporate audit in fiscal 1985 which inflates receipts that year.

COAL SEVERANCE TAX

All coal companies whose annual production is 50,000 tons or greater must pay coal severance taxes on annual production in excess of 20,000 tons. For coal with a per pound heating value of 7,000 BTU's or greater, the severance tax rate is 30 percent of the contract sales price. For coal with a lower heating value, the tax rate is 20 percent.

Table 4 shows historic and projected severance tax revenue to the general fund since fiscal 1980. In fiscal 1985 and 1986, the general fund will receive 19 percent of coal tax collections. In fiscal 1987, the general fund allocation will be reduced to 16.7 percent.

Table 4
Historic and Projected General Fund Revenue from the Coal Severance Tax
Fiscal Years 1980 Through 1987

<u>Fiscal Year</u>	<u>Revenues</u>	<u>Percent Change</u>
1980	\$20,222,579	--
1981	13,378,906	(33.8)
1982	16,375,541	22.4
1983	15,208,581	(7.1)
1984	15,736,468	3.5
- - - - - Projected - - - - -		
1985	16,329,000	3.8
1986	17,028,000	4.3
1987	16,934,000	(0.6)

Since December 1982, the coal tax collected for coal mined on Crow Indian land has been held in escrow at a Billings bank pending a federal court decision on the state's authority to collect taxes on Crow Indian coal. The balance in the escrow account was \$13.8 million on November 1, 1984 and is estimated to reach \$38 million if a federal court decision is not reached before the end of the 1987 biennium. The removal of the Crow coal from the taxable production base accounts for the revenue decline between fiscal 1982 and 1983. The coal produced on Crow land since December 1982 has not been included in Table 5 given below, which shows historic and projected taxable production and contract sales prices.

Table 5
Taxable Production and Contract Sales Price
Fiscal Years 1981 Through 1987

<u>Fiscal Year</u>	<u>Coal Production</u>	<u>Percent Change</u>	<u>Contract Sales Price</u>	<u>Percent Change</u>
1981	30,136,682	(12.3)	\$ 7.84	7.4
1982	31,983,591	6.1	9.00	14.8
1983	26,448,307	(17.3)	10.11	12.3
1984	27,394,512	3.6	10.10	(.1)
----- Projected -----				
1985	28,844,000	5.3	9.95	(1.5)
1986	28,742,000	(.4)	10.42	4.7
1987	29,370,000	2.2	11.53	10.65

The contract sales price is projected to decline slightly in fiscal 1985 for two reasons. First, the total market share of Western Energy's lower-priced coal is projected to increase. Second, the proportion of royalties that are taxable has been reduced. The 1983 legislature passed a bill to phase in a royalty reduction over a three-year period. Eventually, the taxable contract sales price will include only 15 cents of federal, state and tribal royalties. The reduction has begun in fiscal 1985; the final 15 cents royalty level will be established in fiscal 1988.

Montana coal is purchased for electrical generation. Approximately 10 percent of Montana's coal is sold in-state. The majority of the remainder is sold to mid-western utilities. The demand created by Montana Power's Colstrip 3 and 4 and by mid-western utilities will determine how Montana's coal production will grow in the future. Colstrip 4 is scheduled to be completed in mid-1986, but no large production increases are projected to result in the 1987 biennium.

Montana coal producers supply coal to utilities under long-term contracts. While no contracts will expire during the 1987 biennium, the utilities may alter the volume of their coal purchases from various suppliers within the Montana-Wyoming Market. The new Chicago and North Western rail line, connecting Wyoming's Powder River Basin to mid-western utilities, may increase the competition between Wyoming and Montana coal producers.

Table 6 shows the distribution of the fiscal 1986 and 1987 coal severance tax revenues. The percentage allocation will change in fiscal 1987 when the highway reconstruction trust begins to receive coal severance tax revenue.

Table 6
Distribution of Coal Severance Taxes
Fiscal 1986 and 1987

Category	- - - - Fiscal 1986 - - - -		- - - - Fiscal 1987 - - - -	
	Allocation	Revenue	Allocation	Revenue
Constitutional Trust	50.00	\$44,810,421	50.00	\$ 50,701,780
General Fund	19.00	17,027,961	16.70	16,934,395
Education Trust	10.00	8,962,084	8.80	8,923,513
Local Impact	8.75	7,841,824	7.70	7,808,074
Public School Equalization	5.00	4,481,042	4.40	4,461,757
Parks Acquisition/ Cultural Projects	2.50	2,240,521	2.20	2,230,878
Alternative Energy	2.25	2,016,469	2.00	2,028,071
Renewable Resources Develop.	.625	560,130	.55	557,720
Water Development	.625	560,130	.55	557,720
County Land Planning	.50	448,104	.44	446,175
Library Commission	.50	448,104	.44	446,175
Conservation Districts	.25	224,052	.22	223,088
Hwy Reconstruction Trust	.00	-0-	6.00	6,084,214
	<u>100.00</u>	<u>\$89,620,842</u>	<u>100.0</u>	<u>\$101,403,560</u>

OIL SEVERANCE TAX

Crude oil produced in Montana is taxed at the rate of 6 percent on its gross value. Effective April 1, 1985, the tax rate will fall to 5 percent. Beginning in fiscal 1984, one-third of collections were earmarked for the local government block grant program. Table 7 shows general fund collections from the oil severance tax since fiscal year 1980 and projected revenue for fiscal years 1985 through 1987.

Table 7
Historic and Projected General Fund Revenue from the Oil Severance Tax
Fiscal Years 1980 Through 1987

<u>Fiscal Years</u>	<u>Revenue</u>	<u>Percent Change</u>
1980	\$10,544,555	--
1981	18,654,469	76.9
1982	45,473,425	143.8
1983	43,787,960	(3.7)
1984	32,686,015	(25.4)
----- Projected -----		
1985	30,663,000	(6.2)
1986	23,466,000	(23.5)
1987	24,059,000	2.5

Changes in tax collections reflect changes in the tax rate, taxable production, and average price. Table 8 shows actual production and price in Montana for fiscal years 1980 through 1984 and the projected values for fiscal years 1985 through 1987.

Table 8
Historic and Projected Montana Taxable Production and Average Price
Fiscal Years 1980 Through 1987

<u>Fiscal Year</u>	<u>- - Taxable Production - -</u> <u>Barrels</u>	<u>Percent Change</u>	<u>- - Average Price - -</u> <u>Price</u>	<u>Percent Change</u>
1980	28,682,202	--	\$14.29	--
1981	28,431,470	(0.9)	26.25	83.7
1982	30,362,796	6.8	33.83	28.9
1983	29,551,328	(2.7)	30.53	(9.8)
1984	28,517,073	(3.5)	28.54	(6.5)
----- Projected -----				
1985	28,101,147	(1.5)	27.28	(4.4)
1986	27,690,453	(1.5)	26.50	(2.9)
1987	27,286,173	(1.5)	27.50	3.8

Since fiscal 1982, taxable production has declined steadily. Output is projected to decline approximately 1.5 percent annually, consistent with the

decline over the last year covered by tax returns.

For the quarter ending June 1984, the most recent available, the price of crude oil in Montana averaged \$28.49. In mid-October, Norway, Britain, and Nigeria announced \$1 to \$2 per barrel price reductions; major U.S. purchasers of crude oil have similarly reduced the prices paid producers. The forecast price of Montana crude oil in fiscal 1985 and 1986 reflects these price cuts. Price rises moderately with inflation in fiscal 1987 as previous price cuts balance supply with demand.

Since fiscal 1980, counties with an increase in production during a fiscal year compared with the preceding fiscal year received the oil severance tax on that increase. Until fiscal 1984, the payments were made from tax collections withheld from the general fund. In fiscal 1984 and 1985, the Department of Revenue did not withhold tax collections to make the payments. Instead, a general fund appropriation was established on recommendation of the Legislative Auditor who advised that withholding tax collections understated general fund revenue and that Section 15-36-112(2)(b), MCA, gave the department authority for a statutory appropriation to make payments to the counties. Our revenue projections assume the Department of Revenue will use the general fund appropriation in fiscal 1985, but return to the former method of withholding revenue in fiscal 1986 and 1987. The propriety of statutory appropriations is discussed in the introductory section on budget issues.

INTEREST ON INVESTMENTS

Interest on investments not earmarked for other accounts is deposited in the general fund. This pool of investments is known as the treasurer's fund.

Table 9 shows historic and projected interest income from the treasurer's fund since fiscal 1980.

Table 9
Historic and Projected Interest on Investments
Fiscal Years 1980 Through 1987

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1980	\$18,644,739	--
1981	26,518,071	42.2
1982	42,442,555	60.0
1983	29,918,421	(29.5)
1984	23,898,968	(20.1)
----- Projected -----		
1985	25,044,000	4.8
1986	23,044,000	(8.0)
1987	21,920,000	(4.9)

Interest earned depends on the balance available for investment and interest rates. Table 10 shows balances in the treasurer's fund with and without proceeds from the sale of tax anticipation notes (TANS) and the interest yield since fiscal 1980.

Table 10
Average Balance and Interest Yield on the Treasurer's Fund
Fiscal Years 1980 Through 1987

<u>Fiscal Year</u>	<u>Total Average Balance (Millions)</u>	<u>Average Balance w/o TANS (Millions)</u>	<u>Interest Yield</u>
1980	\$202.9	\$169.6	9.19
1981	240.8	203.3	11.04
1982	312.2	274.8	13.59
1983	275.3	249.9	10.87
1984	222.2	222.2	10.75
----- Projected -----			
1985	250.4	216.6	10.00
1986	224.8	180.3	10.25
1987	224.8	180.3	9.75

In the past, large investable balances have coincided with high interest rates. During the forecast period, the average investable balance without the

proceeds from TANS will decline while the interest yield falls from the fiscal 1984 level.

The rise in the average investable balance between fiscal 1984 and 1985 is attributable to the sale of \$38 million of tax anticipation notes in August 1984; notes were not sold in fiscal 1984. The forecast of interest on investments assumes \$50 million of TANS will be outstanding approximately 11 months in each year of the 1987 biennium. When the Department of Administration forecasts a negative cash balance will occur in the general fund during the year, a maximum of \$50 million in tax anticipation notes may be sold. Interest costs and issuance costs on the notes are paid from a general fund appropriation.

The decline in the investable balance without TANS reflects the decline in the general fund balance and the loss of interest income from the highways state special revenue account. Beginning in fiscal 1986, the highways account will retain the interest it earns.

Interest yields are projected to fall during fiscal 1985 and rise slightly in fiscal 1986 before declining again in fiscal 1987. According to Chase Econometrics, the forecasted decreases in interest rates result from easing of monetary policy and slowing in economic growth.

LONG-RANGE BOND EXCESS

The bond transfer to the general fund is made from the long-range building program debt service account and is equal to the balance in the account in excess of that which must be held for future principal and interest payments. The debt service account receives 11 percent of individual income and corporation license taxes paid to the state, 79.25 percent of the cigarette tax, the tobacco products tax, interest, and transfers from the general fund appropriation and from non-general fund participants in the bond issues.

Table 11 shows long-range bond excesses transferred to the general fund since fiscal 1980 and projections of transfers for fiscal years 1985 through 1987.

Table 11
Historic and Projected Long-Range Bond Excesses Transferred to the General Fund
Fiscal Years 1980 Through 1987

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1980	\$20,700,000	--
1981	26,500,000	28.0
1982	20,450,000	(22.8)
1983	22,797,971	(11.5)
1984	41,682,643	82.8
----- Projected -----		
1985	36,185,000	(13.2)
1986	37,479,000	3.6
1987	39,582,000	5.6

Prior to fiscal 1984, the debt service account received tax revenue and interest income; principal and interest payments were made directly from the account, meaning that the balance available for transfer to the general fund was revenue less debt service payments. Beginning in fiscal 1984, debt service payments are paid from a general fund appropriation so that all revenue to the debt service account is available for transfer to the general fund. The fiscal 1984 transfer was inflated by approximately \$13.1 million resulting from the refunding of long-range building bonds.

The individual income tax and the corporation license tax contribute the majority of revenue to the long-range building debt service account; revenue projections for these two categories are discussed elsewhere. Collections of the cigarette tax rise between fiscal 1984 and 1985 as fiscal 1985 is the first full year to reflect the increase in the cigarette tax from 12 cents to 16 cents per package. During the 1987 biennium, cigarette tax revenue falls with the continuing decline in the number of packages sold. Revenue from the tobacco products tax is assumed to continue its pattern of modest annual growth. Interest income reflects the average account balance.

COAL TRUST FUND INTEREST

The permanent coal tax trust fund receives 50 percent of annual coal severance tax collections and 15 percent of its own interest. The remaining 85 percent of the trust's interest earnings is deposited in the general fund. Table

12 shows historic and projected general fund receipts from trust fund interest earnings since fiscal 1981.

Table 12
Historic and Projected Permanent Trust Interest Earnings to the General Fund
Fiscal Years 1981 Through 1987

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1981	\$ 7,421,902	--
1982	11,542,421	55.5
1983	18,466,762	60.0
1984	18,947,636	2.6
----- Projected -----		
1985	23,455,000	23.8
1986	28,383,000	21.0
1987	33,465,000	17.9

The level of interest earnings is determined by coal severance tax collections and interest rates. Projected deposits to the trust are based on coal severance tax forecasts discussed previously. Interest rates are projected to decline between fiscal 1985 and 1987, which will cause the average yield on the permanent trust fund to fall as well.

In fiscal 1984, three changes were made concerning the flow of funds within the permanent trust. The first change was that the trust fund began to accrue 15 percent of its own interest. Previously, all interest earnings on the trust were deposited in the general fund.

The second change occurred with the voter-approved creation of the in-state investment fund, which receives 25 percent of the coal tax deposits to the permanent trust. These deposits have been invested in the short-term investment pool (STIP) so as to be available for investment projects. The interest rate earned on the in-state investment fund in fiscal 1984 was lower than the rate earned on the long-term investments by 2.6 percent. This spread will continue to exist in fiscal 1985 through 1987.

The third change was the sale of coal tax bonds to finance water development projects. These coal tax bonds are backed by the coal tax deposits to the permanent trust. Principal and interest payments on the bonds that remain uncovered by paybacks from water development projects are made out of the coal tax deposit to the permanent trust. The annual deposit to the

permanent trust is reduced by the difference between the annual principal and interest payments and the project repayments.

INSURANCE PREMIUMS TAX

Insurance companies operating in the state are required to pay a tax equal to 2 3/4 percent of the net premiums on policies sold in Montana. From collections of the insurance tax, payments are made to police and firefighters' pension funds; the remainder of tax receipts is deposited in the general fund.

Table 13 shows historic and projected general fund revenue from the insurance premiums tax since fiscal 1980.

Table 13 Historic and Projected General Fund Revenue from the Insurance Premium Tax Fiscal Years 1980 Through 1987		
<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1980	\$11,031,794	--
1981	9,551,061	(13.4)
1982	12,790,003	33.9
1983	13,011,479	1.7
1984	13,621,332	4.7
----- Projected -----		
1985	15,753,000	15.6
1986	16,195,000	2.8
1987	16,737,000	3.4

The fiscal 1981 drop in revenue was due to a change in the method of accounting for payments to pension funds, not a decline in tax collections.

During the forecast period, total insurance premiums tax receipts are expected to increase moderately. Payments to pension funds increase more rapidly than total tax receipts due to an increase in the state's contribution effective July 1, 1985. As a consequence, the growth in the general fund deposit is held to approximately 3 percent a year. The large fiscal 1985 increase results from the fact that the fiscal 1984 deposit was \$1 million less than it should have been because too much was withheld for pension funds that year; the excess was returned to the general fund in fiscal 1985.

INSTITUTIONAL REIMBURSEMENT

Six of Montana's state institutions--Boulder, Center for the Aged, Eastmont, Galen, Veterans' Home, and Warm Springs--collect partial reimbursement for the cost of patient care. While all funds which reimburse the Veterans' Home and funds from the alcohol program at Galen are returned to those institutions, other reimbursements are deposited in the general fund.

Table 14 shows historic and projected general fund revenue from institutional reimbursement since fiscal 1980.

Table 14
Historic and Projected General Fund Revenue from Institutional Reimbursement
Fiscal Years 1980 Through 1987

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1980	\$ 7,992,615	--
1981	9,972,309	24.8
1982	10,974,197	10.0
1983	11,406,505	3.9
1984	9,179,920	(19.5)
- - - - - Projected - - - - -		
1985	15,281,000	66.5
1986	14,902,000	(2.5)
1987	15,356,000	3.0

Fiscal 1982 revenue was inflated by the accrual of \$2.4 million held in trust pending settlement of a lawsuit discussed below. Fiscal 1984 revenue was deflated by \$2.4 million of institutional reimbursement earned that year which will not be credited to revenue until received.

Four sources contribute to institutional reimbursement: private resources of patients or parties responsible for them, insurance, medicare, and medicaid. In fiscal 1984, medicaid payments accounted for 88 percent of total institutional reimbursement. Projected medicaid reimbursement is based on the assumptions that average populations at the institutions do not change through the 1987 biennium, that the Youth Treatment Center contributes approximately \$2.2 million of reimbursement each year of the biennium and that rates will reflect forecast reimbursable costs of operating the institutions. Because medicaid payments are made by the Department of Social and Rehabilitation Services, revenue projections are consistent with the current level budget for that

department. Reimbursement from private sources, insurance, and medicare is projected to grow little through fiscal 1987.

Fiscal 1985 institutional reimbursement is inflated by \$2.4 million of institutional reimbursement earned in fiscal 1984 which will be credited to the general fund when received. The projection assumes this reimbursement will be shown as fiscal 1985 revenue. During the forecast period, the general fund may receive more revenue than forecast above if the patients' account lawsuit is settled. The lawsuit was initiated in 1975 and results from the contention of some patients at Warm Springs that that institution did not have the authority to pay patients' accounts from their private resources without their permissions. In fiscal 1982, the Department of Institutions anticipated imminent settlement of the lawsuit and recorded \$2.4 million of revenue based on the balance in the accounts at that time. The balance in the patients' accounts was \$4.0 million on September 30, 1984. If the state receives more than \$2.4 million in settlement of the lawsuit, the excess will be deposited in the general fund. The revenue projections above do not include receipts from settlement of the patient's account lawsuit.

LIQUOR PROFITS

The Liquor Division in the Department of Revenue operates stores throughout Montana which sell liquor and wine to the public and other retail establishments. Table 15 shows historic and projected general fund deposits of liquor profits since fiscal 1980.

Table 15
Historic and Projected General Fund Revenue from Liquor Profits
Fiscal Years 1980 Through 1987

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1980	\$ 5,500,887	--
1981	7,499,113	36.3
1982	5,750,000	(23.3)
1983	4,500,000	(21.7)
1984	5,782,000	28.5
----- Projected -----		
1985	5,197,000	(10.1)
1986	5,263,000	1.3
1987	5,315,000	1.0

Deposits to the general fund do not equal profits earned by the Liquor Division. For example, \$5.8 million was deposited in the general fund in fiscal 1984, while profits were only \$5.4 million.

Projections of liquor profits are consistent with the sales forecasts used for liquor and wine taxes. Dollar sales at the liquor stores change little from fiscal 1985 through 1987 and are lower than the fiscal 1984 level. Likewise, expenses, largely the cost of goods sold, are assumed to decline with falling sales, leaving profits near the \$5.2 million level during the forecast period.

LIQUOR EXCISE TAX

Established by Section 16-1-401, MCA, the liquor excise tax is set at 16 percent of the retail selling price of liquor. The retail selling price is the state's cost plus its markup and is less than a customer pays in a state liquor store. All revenue collected from the tax is deposited in the general fund.

Table 16 shows historic and projected revenue from the liquor excise tax since fiscal 1980.

Table 16
Historic and Projected Revenue from the Liquor Excise Tax
Fiscal Years 1980 Through 1987

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1980	\$ 5,764,741	--
1981	6,340,958	10.0
1982	6,572,066	3.6
1983	6,559,727	(0.2)
1984	6,415,784	(2.2)
- - - - - Projected - - - - -		
1985	6,029,000	(6.0)
1986	6,045,000	0.2
1987	6,038,000	(0.1)

The decline in excise tax collections in fiscal years 1983 and 1984 was accompanied by a larger decline in unit sales: unit liquor sales fell 3.2 percent in fiscal 1983 and 4.0 percent in fiscal 1984. Based on year-to-date receipts in fiscal 1985 and the price increase expected to accompany the \$2 per gallon federal tax hike and reduce sales in fiscal 1986, unit sales are projected to continue their decline during the forecast period. Price is expected to rise little apart from increases due to the higher federal tax rate.

INHERITANCE TAX

Montana statutes authorize the collection of inheritance taxes which depend on the size of the estate and the relationship of the heirs to the deceased person. Table 17 shows historic and projected revenue from inheritance taxes since fiscal 1980.

Table 17
Historic and Projected Revenue from Inheritance Taxes
Fiscal 1980 Through 1987

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1980	\$8,537,242	--
1981	6,195,069	(27.4)
1982	7,680,529	24.0
1983	6,398,489	(16.7)
1984	5,960,471	(6.8)
- - - - - Projected - - - - -		
1985	6,247,000	4.8
1986	6,247,000	0.0
1987	6,247,000	0.0

Historically, the general downward trend in tax collections can be attributed to several statutory changes. At the state level, the 1979 legislature exempted the inheritance received by a decedent's spouse from taxation, while the 1981 legislature eliminated the tax on the inheritance of lineal descendants. At the national level, the Economic Recovery Tax Act of 1981 modified federal estate tax laws. Gradual increases in the size of an estate exempt from federal taxation result in fewer estates, over time, being taxed and thus generating a credit which is picked up at the state level.

While rising asset values will increase the value of estates taxed, reductions in federal estate tax credits will reduce collections at the state level. The net effect of the two changes on inheritance tax revenue is assumed to be zero in fiscal 1986 and 1987, causing revenue to remain constant. The fiscal 1985 projection is based on the increase in year-to-date collections in fiscal 1985 relative to the comparable period in fiscal 1984.

METAL MINES TAX

The metal mines tax is levied on producers of gold, silver, copper, lead, and any other metal or precious or semiprecious gems or stones of any kind. Currently the marginal tax rate depends on the gross value of metal mined and rises with increasing value from 0.15 percent on the first \$100,000 to 1.438 percent on value over \$500,000. All revenue is deposited in the general fund. Beginning with the calendar 1985 tax year, no tax will be assessed on the first \$250,000 of gross value, thus exempting mines with little output, and the marginal tax rate rises from 0.5 percent on the second \$250,000 of gross value to 1 percent on the next \$500,000 and 1.5 percent on gross value over \$1,000,000. Collections for tax years beginning after December 31, 1984 are allocated 67 percent to the general fund and 33 percent to the hard-rock mining impact trust account. The tax is due on June 30 for production during the preceding calendar year.

Table 18 shows historic and projected revenue from the metal mines tax since fiscal 1980.

Table 18
Historic and Projected General Fund Revenue from the Metal Mines Tax
Fiscal Years 1980 Through 1987

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1980	\$2,516,820	--
1981	1,564,569	(37.8)
1982	1,861,209	19.0
1983	1,542,061	(17.1)
1984	2,630,135	70.6
----- Projected -----		
1985	1,610,000	(38.8)
1986	1,149,000	(28.6)
1987	1,282,000	11.6

During fiscal years 1980 through 1983, the Anaconda Company paid the majority of the metal mines tax and revenue was dependent on the price of copper and production by that company. In fiscal 1984, most of the tax was paid by gold and silver producers.

Projected revenues for fiscal years 1985 through 1987 assume a gradual recovery in metal prices. Production from mines currently operating is forecast

to remain level and no new mines are expected to begin operations by the end of calendar year 1986.

ELECTRICAL ENERGY TAX

Electrical energy producers are taxed \$0.0002 per kilowatt hour on electricity or electrical energy generated, manufactured, or produced in the state of Montana. Public utilities lending money for residential energy conservation may take a credit against their tax liabilities. The credit is equal to the difference between interest actually received on the loans and the interest that would have been received at the prevailing interest rate for home improvement loans. In fiscal 1984, credits totaling \$290,876 were claimed, reducing electrical energy tax collections. All revenue from the tax is deposited in the general fund.

Table 19 shows historic and projected revenue from the electrical energy producers' license tax.

Table 19
Historic and Projected Revenue from the Electrical Energy Tax
Fiscal Year 1980 and 1987

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1980	\$2,060,960	--
1981	1,367,959	(33.6)
1982	1,753,173	28.2
1983	1,546,157	(11.8)
1984	2,413,172	56.1
----- Projected -----		
1985	2,084,000	(13.6)
1986	2,074,000	(0.5)
1987	2,165,000	4.4

Fiscal 1981 revenue was reduced by credits for overpayments in prior years. In fiscal 1984, the Department of Revenue collected \$552,000 from audits of electrical energy producers.

Colstrip 3 began commercial operation in December 1983 and Colstrip 4 is expected to come on line in mid-1986. Although the new plants will add to potential electrical production in the state, the demand for electricity is unlikely to warrant their operation at full capacity. Projected revenue assumes a 26 percent increase in electrical energy production between fiscal 1984 and 1987.

The growth in tax collections is slowed by rising credits for residential energy conservation loans.

DRIVERS' LICENSE FEES

Fees for the issuance of drivers' licenses are collected by the Department of Justice. Sixty percent of these fees are deposited in the general fund.

Table 20 shows historic and projected general fund revenue from drivers' license fees since fiscal 1980.

Table 20
Historic and Projected General Fund Revenue from Drivers' License Fees
Fiscal Years 1980 Through 1987

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1980	\$1,189,407	--
1981	1,163,701	(2.2)
1982	916,652	(21.2)
1983	816,376	(10.9)
1984	799,652	(2.0)
----- Projected -----		
1985	905,000	13.2
1986	905,000	0.0
1987	905,000	0.0

General fund revenue declined every year between fiscal 1980 and 1984. The size of the drop in fiscal 1982 is attributable to a reallocation of revenue begun that year which reduced the general fund share and increased the proportion deposited in the traffic safety education account.

Year-to-date collections in fiscal 1985 indicate the downward trend in collections will be reversed and general fund revenue will total \$905,000. For each year of the 1987 biennium, general fund revenue from drivers' license fees is projected to remain at the fiscal 1985 level.

TELEPHONE LICENSE TAX

The telephone company license tax is equal to 1.725 percent of gross income in excess of \$250 quarterly derived from any telephone business within the state. Table 21 shows historic and projected revenue from the telephone license tax since fiscal 1980.

Table 21
Historic and Projected Revenue from the Telephone License Tax
Fiscal 1980 through 1987

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1980	\$1,783,776	--
1981	2,039,383	14.3
1982	2,167,815	6.3
1983	2,463,670	13.6
1984	2,521,905	2.4
- - - - - Projected - - - - -		
1985	2,661,000	5.5
1986	2,798,000	5.2
1987	3,944,000	5.2

The moderate rate of revenue growth forecast was based on conversations with staff of the Public Service Commission and an analysis of historic growth trends.

BEER TAX

Sections 16-1-406 through 408, MCA, levy a tax of \$4 per 31-gallon barrel on beer sold in the state. Twenty-five percent of the tax collected is credited to the Department of Institutions for the treatment, rehabilitation, and prevention of alcoholism. The remainder of the tax is split equally between the general fund and incorporated cities and towns.

Table 22 shows historic and projected general fund revenue from the beer tax since fiscal 1980.

Table 22
Historic and Projected General Fund Revenue from the Beer Tax
Fiscal Years 1980 through 1987

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1980	\$1,216,504	--
1981	1,218,383	0.1
1982	1,229,888	0.9
1983	1,235,404	0.4
1984	1,204,236	(2.5)
----- Projected -----		
1985	1,175,000	(2.5)
1986	1,146,000	(2.4)
1987	1,096,000	(4.4)

During the forecast period, revenue from the beer tax is projected to continue the decline begun in fiscal 1984. The legal drinking age is expected to rise to 21 years in fiscal 1987 which will reduce beer sales and accelerate the decline in tax revenue.

NATURAL GAS SEVERANCE TAX

A severance tax equal to 2.65 percent of total gross value is levied on the production of natural gas. Table 23 shows historic and projected revenue from the natural gas severance tax since fiscal 1980.

Table 23
Historic and Projected Revenue from the Natural Gas Severance Tax
Fiscal Years 1980 Through 1987

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1980	\$1,264,024	--
1981	1,881,292	48.8
1982	2,474,811	31.5
1983	2,525,059	2.0
1984	2,797,996	10.8
----- Projected -----		
1985	2,736,000	(2.2)
1986	2,486,000	(9.1)
1987	2,500,000	0.6

Most of the fiscal 1984 increase in revenue is attributable to the change in accounting procedures for counties with increased production described for the oil severance tax. Beginning in fiscal 1984, counties with an increase in natural gas production were paid the tax received on that increase from a general fund appropriation, rather than by withholding revenue from the general fund. Our revenue projections assume the department will use a general fund appropriation to make county payments in fiscal 1985, but return to the previous method of withholding revenue in fiscal 1986 and 1987. The propriety of statutory appropriations is discussed in the introductory section on budget issues.

During the forecast period, taxable production is expected to continue the decline of the last several years. Price is assumed to rise as projected by Chase Econometrics which foresees natural gas price increases totaling less than 6 percent between fiscal 1984 and 1987.

FREIGHT LINE TAX

The freight line company license tax is assessed at the rate of 5.5 percent on the gross earnings of railroad freight companies operating in Montana. All revenue is deposited in the general fund.

Table 24 shows historic and projected revenue from this source since fiscal 1980.

Table 24
Historic and Projected Revenue from the Freight Line Company Tax
Fiscal Years 1980 Through 1987

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1980	\$ 956,357	--
1981	1,200,093	25.4
1982	1,344,761	12.0
1983	1,432,164	6.5
1984	1,334,111	(6.8)
- - - - - Projected - - - - -		
1985	1,387,000	4.0
1986	1,450,000	4.5
1987	1,522,000	5.0

A reduction in rates for unit grain trains contributed to the drop in tax collections in fiscal 1984. During the forecast period, revenue is expected to increase moderately at the rate of inflation.

WINE TAX

Table wine sold in Montana is taxed at a rate of 20 cents per liter. Eighty percent of the tax is deposited in the general fund with the remainder equally divided between the Department of Institutions, the counties, and cities and towns.

Table 25 shows historic and projected general fund collections of the wine tax since fiscal 1980.

Table 25
Historic and Projected General Fund Revenue from the Wine Tax
Fiscal Years 1980 Through 1987

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1980	\$1,312,405	--
1981	931,611	(29.0)
1982	715,246	(23.2)
1983	895,718	25.2
1984	904,932	1.0
----- Projected -----		
1985	967,000	6.9
1986	1,015,000	5.0
1987	1,066,000	5.0

In fiscal 1982, a statutory change reduced the general fund share of total taxes.

The projection for fiscal 1985 is based on year-to-date collections. Revenue from the wine tax is projected to continue moderate growth in the 1987 biennium.

OTHER REVENUE

The "other" revenue category contains a large number of taxes, fees, and other types of revenue which individually yielded less than \$2 million in general fund revenue during fiscal 1984. Because the components of the category change over time, as new taxes and fees are established and some are discontinued, an analysis of growth trends is difficult.

Table 26 shows historic and projected general fund revenue from other revenue sources since fiscal 1980.

Table 26
Historic and Projected General Fund Revenue from other Revenue Sources
Fiscal Years 1980 Through 1987

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1980	\$ 9,742,747	--
1981	10,668,441	9.5
1982	9,476,002	(11.2)
1983	11,176,072	17.9
1984	12,219,313	9.3
----- Projected -----		
1985	14,364,000	17.6
1986	14,326,000	(0.3)
1987	15,413,000	7.6

Other revenue was projected after an analysis of year-to-date receipts, collections patterns, and historic trends for the major components of the category. Approximately \$1 million of reimbursement from the federal government for the costs of fighting August 1984 forest fires is expected which causes the large increase in fiscal 1985 revenue.

INFLATION FACTORS USED IN BUDGET ANALYSIS

The Office of the Legislative Fiscal Analyst has developed inflation factors to use in budgeting for the 1987 biennium. When applied to expenses in the fiscal 1984 base year, the inflation factor shows how much expenditures must be increased in future years to purchase the same quantity of goods and services due to rising prices. Inflation factors were developed for individual categories of operating expenses and for equipment; none was projected for or applied to other types of expenses such as personal services.

Table 1 lists the inflation factors used for projecting current level expenses for fiscal years 1985, 1986, and 1987. Most categories of operating expenses and all equipment were inflated 4.0 percent in fiscal 1985, an additional 4.5 percent in fiscal 1986, and an additional 5.0 percent in fiscal 1987.

Table 1
Inflation Factors Used in Budgeting for the 1987 Biennium

<u>Expenditure Category</u>	<u>FY 1985</u>	<u>FY 1986</u>	<u>FY 1987</u>
Computer Charges by			
Department of Administration	0	0	0
Rent by Department of Administration	0	(6.0)	4.0
Petroleum Products	(6.0)	0.0	4.0
Local Telephone Service & Equipment	10.0	7.0	8.0
Long Distance Service	(5.0)	(3.0)	0
Leased Line Service	25.0	11.0	20.0
State Telephone System Usage	0	0	0
Travel-Meals & Lodging	0	0	0
Electricity	20.0	10.0	6.0
Natural Gas	0	6.0	7.0
Merchandise Purchased for Resale	0	0	0
Other Operating Expenses & Equipment	4.0	4.5	5.0

Several methods were employed to develop inflation factors. In some cases, such as petroleum products, the rate of price change forecast by Chase Econometrics was input. For utility costs, Montana-specific forecasts were developed from information supplied by the utility companies, the Department of Administration, and the Public Service Commission.

When weighted by the proportion of total disbursements falling in each category, the overall inflation rate for operating expenses and equipment is 6.5 percent between fiscal 1984 and 1986 and 3.9 percent for fiscal 1987.

The LFA current level budget includes \$10.4 million in fiscal 1986 and \$17.1 million in fiscal 1987 for inflation. Reducing each inflation factor 1 percent each year for all categories of operating expenses and equipment eliminates \$8.2 million from projected inflation for fiscal 1986 and \$11.2 million for fiscal 1987. Of this total, \$1.5 million in fiscal 1986 and \$2.2 million in fiscal 1987 are general fund. The remaining \$6.7 million in fiscal 1986 and \$9.0 million in fiscal 1987 come from all other funds.

In preparing its budget, the executive did not use inflation factors; it relied instead on base adjustment factors. Base adjustment factors were applied to the fiscal 1984 base for categories of operating expenses to determine budgeted costs for fiscal 1986 and 1987. For most categories of operating expenses, the base adjustment factors were 4 percent, meaning that costs budgeted for each fiscal 1986 and 1987 were 4 percent higher than the fiscal 1984 base and that there was no difference in costs budgeted for fiscal 1986 and 1987. The exception to this general rule was the communications category which includes postage, advertising, and telephone charges. For these categories of operating expenses, the base adjustment factor was 12 percent for fiscal 1986 and 19 percent for fiscal 1987. Fiscal 1986 costs, then, were budgeted 12 percent higher than the fiscal 1984 base and fiscal 1987 costs were budgeted 6.25 percent higher than fiscal 1986 costs.

The base adjustment factors used in the executive budget for most categories of operating expenses does not include an allowance for overall price increases after fiscal 1985. According to Chase Econometrics' forecasts, the overall level of prices as measured by the consumer price index will rise 4.0 percent between fiscal 1984 and 1985. If prices do rise 4 percent, 4 percent base adjustment factors for fiscal 1986 and 1987 hold budget costs at the fiscal 1985 level.

EXECUTIVE PAY PLAN PROPOSAL

In accordance with Section 17-7-111(3), MCA, the budget director has submitted pay plan schedules proposed for executive branch employees for the 1987 biennium. He estimates that implementation of the proposed schedules will cost \$28.3 million. Table 1 shows his distribution of the total cost between fiscal years and between general fund and all other funds. Cost estimates presented by the budget director appear reasonably accurate.

Table 1
Executive's Cost Estimate for the Proposed Pay Plan
1987 Biennium

	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	<u>Biennium</u>
General Fund Cost	\$5,741,932	\$11,643,748	\$17,385,680
Other Funds Cost	<u>3,628,474</u>	<u>7,322,468</u>	<u>10,950,942</u>
Total Cost	<u>\$9,370,406</u>	<u>\$18,966,216</u>	<u>\$28,336,622</u>

For most employees covered by the pay plans, compensation will increase by 2.5 to 3 percent annually during the 1987 biennium. The majority of executive branch employees are covered by the statewide classification salary matrix given in Tables 2 and 3. Except for employees in step 1 who will advance to step 2, each employee will remain at the step occupied at the end of fiscal 1985. The annual rate of salary increase depends on the employee's grade and step. For example, an employee at grade 13, step 4 will receive a 2.15 percent increase in each fiscal 1986 and fiscal 1987. Employees at lower grades will receive slightly larger percent increases and those at higher grades slightly smaller percent increases. The average rate of salary increase proposed in the other schedules is comparable to that in the statewide classification matrix. In addition to the salary increases, the executive proposes an increase in the state's monthly contribution to group health insurance benefits from \$100 currently to \$110 in fiscal 1986 and \$120 in fiscal 1987. The pay schedules proposed for executive branch employees are shown in Tables 2 through 9.

Table 2
Fiscal 1986 Statewide Classification Salary Matrix
Includes Insurance
(Dollars)

<u>Grade</u>	<u>Step</u>												
	1	2	3	4	5	6	7	8	9	10	11	12	13
1	8999	9676	9870	10067	10268	10473	10682	10896	11114	11336	11563	11794	12266
2	9491	10205	10409	10617	10829	11046	11267	11492	11722	11956	12195	12439	12937
3	10025	10780	10996	11216	11440	11669	11902	12140	12383	12631	12884	13142	13668
4	10609	11408	11636	11869	12106	12348	12595	12847	13104	13366	13633	13906	14462
5	11254	12101	12343	12590	12842	13099	13361	13628	13901	14179	14463	14752	15342
6	11960	12860	13117	13379	13647	13920	14198	14487	14772	15067	15368	15675	16302
7	12742	13701	13975	14255	14540	14831	15128	15431	15740	16055	16376	16704	17372
8	13585	14608	14900	15198	15502	15812	16128	16451	16780	17116	17458	17807	18519
9	14523	15616	15928	16247	16572	16903	17241	17586	17938	18297	18663	19036	19797
10	15548	16718	17052	17393	17741	18096	18458	18827	19204	19588	19980	20380	21195
11	16669	17924	18282	18648	19021	19401	19789	20185	20589	21001	21421	21849	22723
12	17910	19258	19643	20036	20437	20846	21263	21688	22122	22564	23015	23475	24414
13	19261	20711	21125	21548	21979	22419	22867	23324	23790	24266	24751	25246	26256
14	20924	22499	22949	23408	23876	24354	24841	25338	25845	26362	26889	27427	28524
15	22657	24362	24849	25346	25853	26370	26897	27435	27984	28544	29115	29697	30885
16	24602	26454	26983	27523	28073	28634	29207	29791	30387	30995	31615	32247	33537
17	26709	28719	29293	29879	30477	31087	31709	32343	32990	33650	34323	35009	36409
18	29036	31221	31845	32482	33132	33795	34471	35160	35863	36580	37312	38058	39580
19	31592	33970	34649	35342	36049	36770	37505	38255	39020	39800	40596	41408	41408
20	34384	36972	37711	38465	39234	40019	40819	41635	42468	43317	44183	44183	44183
21	37455	40274	41079	41901	42739	43594	44466	45355	46262	47187	47187	47187	47187
22	40824	43897	44775	45671	46584	47516	48466	49435	50424	50424	50424	50424	50424
23	44513	47863	48820	49796	50792	51808	52844	53901	53901	53901	53901	53901	53901
24	48565	52220	53264	54329	55416	56524	57655	57655	57655	57655	57655	57655	57655
25	53014	57004	58144	59307	60493	61703	61703	61703	61703	61703	61703	61703	61703

Table 3
Fiscal 1987 Statewide Classification Salary Matrix
Includes Insurance
(Dollars)

Grade	Step												
	1	2	3	4	5	6	7	8	9	10	11	12	13
1	9291	9990	10190	10394	10602	10814	11030	11251	11476	11706	11940	12179	12666
2	9792	10529	10740	10955	11174	11397	11625	11858	12095	12337	12584	12836	13349
3	10338	11116	11338	11565	11796	12032	12273	12518	12768	13023	13283	13549	14091
4	10933	11756	11991	12231	12476	12726	12981	13241	13506	13776	14052	14333	14906
5	11591	12463	12712	12966	13225	13490	13760	14035	14316	14602	14894	15192	15800
6	12310	13237	13502	13772	14047	14328	14615	14907	15205	15509	15819	16135	16780
7	13108	14095	14377	14665	14958	15257	15562	15873	16190	16514	16844	17181	17868
8	13969	15020	15320	15626	15939	16258	16583	16915	17253	17598	17950	18309	19041
9	14925	16048	16369	16696	17030	17371	17718	18072	18433	18802	19178	19562	20344
10	15970	17172	17515	17865	18222	18586	18958	19337	19724	20118	20520	20930	21767
11	17114	18402	18770	19145	19528	19919	20317	20723	21137	21560	21991	22431	23328
12	18380	19763	20158	20561	20972	21391	21819	22255	22700	23154	23617	24089	25053
13	19758	21245	21670	22103	22545	22996	23456	23925	24404	24892	25390	25898	26934
14	21454	23069	23530	24001	24481	24971	25470	25979	26499	27029	27570	28121	29246
15	23221	24969	25468	25977	26497	27027	27568	28119	28681	29255	29840	30437	31654
16	25026	27103	27645	28198	28762	29337	29924	30522	31132	31755	32390	33038	34360
17	27354	29413	30001	30601	31213	31837	32474	33123	33785	34461	35150	35853	37287
18	29727	31965	32604	33256	33921	34599	35291	35997	36717	37451	38200	38964	40523
19	32335	34769	35464	36173	36896	37634	38387	39155	39938	40737	41552	42383	42383
20	35183	37831	38588	39360	40147	40950	41769	42604	43456	44325	45212	45212	45212
21	38315	41199	42023	42863	43720	44594	45486	46396	47324	48271	48271	48271	48271
22	41752	44895	45793	46709	47643	48596	49568	50559	51570	51570	51570	51570	51570
23	45514	48940	49919	50917	51935	52974	54034	55115	55115	55115	55115	55115	55115
24	49647	53384	54452	55541	56652	57785	58941	58941	58941	58941	58941	58941	58941
25	54186	58264	59429	60618	61830	63067	63067	63067	63067	63067	63067	63067	63067

Table 4
Fiscal 1986 Nine Months Institutional Teachers' Salary Matrix
Includes Insurance
(Dollars)

<u>Years of Experience</u>	<u>Education Level</u>					
	<u>BA</u>	<u>BA + 1</u>	<u>BA + 2</u>	<u>BA + 3</u>	<u>MA</u>	<u>MA + 1</u>
0	14,195	14,630	15,077	15,296	15,513	15,960
1	14,708	15,193	15,680	15,922	16,166	16,651
2	15,218	15,755	16,280	16,550	16,817	17,342
3	15,731	16,319	16,881	17,176	17,471	18,033
4	16,242	16,881	17,483	17,801	18,123	18,725
5	16,754	17,445	18,085	18,430	18,776	19,416
6	17,264	18,007	18,685	19,057	19,427	20,105
7	17,777	18,571	19,287	19,685	20,081	20,797
8	18,288	19,133	19,889	20,310	20,734	21,488
9	18,800	19,697	20,490	20,936	21,385	22,178
10	19,313	20,259	21,091	21,565	22,038	22,869

Table 5
Fiscal 1987 Nine Months Institutional Teachers' Salary Matrix
Includes Insurance
(Dollars)

<u>Years of Experience</u>	<u>Education Level</u>					
	<u>BA</u>	<u>BA + 1</u>	<u>BA + 2</u>	<u>BA + 3</u>	<u>MA</u>	<u>MA + 1</u>
0	14,592	15,036	15,492	15,715	15,937	16,393
1	15,115	15,610	16,106	16,354	16,602	17,097
2	15,636	16,184	16,718	16,994	17,267	17,803
3	16,159	16,759	17,332	17,633	17,933	18,507
4	16,680	17,332	17,945	18,271	18,599	19,213
5	17,203	17,907	18,560	18,912	19,265	19,918
6	17,723	18,480	19,172	19,551	19,929	20,621
7	18,246	19,055	19,787	20,192	20,596	21,326
8	18,767	19,628	20,400	20,830	21,262	22,031
9	19,290	20,204	21,014	21,469	21,926	22,736
10	19,813	20,777	21,626	22,109	22,592	23,440

Table 6
Fiscal 1986 Twelve Months Institutional Teachers' Salary Matrix
Includes Insurance
(Dollars)

<u>Years of Experience</u>	<u>Education Level</u>					
	<u>BA</u>	<u>BA + 1</u>	<u>BA + 2</u>	<u>BA + 3</u>	<u>MA</u>	<u>MA + 1</u>
0	18,486	19,067	19,663	19,954	20,244	20,840
1	19,170	19,817	20,466	20,789	21,114	21,761
2	19,851	20,567	21,266	21,626	21,983	22,683
3	20,534	21,319	22,068	22,461	22,854	23,604
4	21,216	22,068	22,870	23,295	23,724	24,526
5	21,899	22,820	23,673	24,133	24,594	25,448
6	22,579	23,569	24,473	24,969	25,463	26,367
7	23,263	24,321	25,276	25,806	26,334	27,289
8	23,944	25,070	26,078	26,640	27,205	28,210
9	24,627	25,822	26,880	27,475	28,073	29,131
10	25,311	26,572	27,681	28,313	28,944	30,052

Table 7
Fiscal 1987 Twelve Months Institutional Teachers' Salary Matrix
Includes Insurance
(Dollars)

<u>Years of Experience</u>	<u>Education Level</u>					
	<u>BA</u>	<u>BA + 1</u>	<u>BA + 2</u>	<u>BA + 3</u>	<u>MA</u>	<u>MA + 1</u>
0	18,976	19,568	20,176	20,473	20,769	21,377
1	19,673	20,333	20,995	21,325	21,656	22,316
2	20,368	21,098	21,811	22,179	22,543	23,257
3	21,065	21,865	22,629	23,030	23,431	24,196
4	21,760	22,629	23,447	23,881	24,318	25,137
5	22,457	23,396	24,266	24,736	25,206	26,077
6	23,151	24,160	25,082	25,588	26,092	27,014
7	23,848	24,927	25,902	26,442	26,981	27,955
8	24,543	25,691	26,720	27,293	27,869	28,894
9	25,240	25,458	27,538	28,145	28,754	29,834
10	25,937	27,223	28,355	28,999	29,643	30,773

Table 8
Fiscal 1986 and 1987 Liquor Store Occupations Wage Matrix
Includes Insurance
(Dollars)

<u>Grade</u>	<u>Fiscal 1986 Hourly Wage</u>	<u>Fiscal 1987 Hourly Wage</u>
L1	0.000	0.000
L2	7.383	7.541
L3	7.890	8.056
L4	8.173	8.343
L5	8.469	8.644
L6	9.088	9.272
L7	9.762	9.956
L8	10.517	10.722

NOTE: No changes to pay rules, such as step progression, were negotiated for this plan. Rules will remain the same as the previous biennium.

Table 9
Fiscal 1986 and 1987 Blue Collar Occupations Wage Matrix
Includes Insurance
(Dollars)

<u>Grade</u>	<u>Fiscal 1986 Hourly Wage</u>	<u>Fiscal 1987 Hourly Wage</u>
B1	7.865	8.122
B2	8.265	8.522
B3	8.665	8.922
B4	9.065	9.322
B5	9.465	9.722
B6	9.865	10.122
B7	10.265	10.522
B8	10.665	10.922
B9	11.065	11.322
B10	11.465	11.722
B11	11.865	12.122
B12	12.265	12.522
B00	12.665	12.922

NOTE: No changes to pay rules, such as step progression, were negotiated for this plan. Rules will remain the same as the previous biennium.

LEGISLATIVE, JUDICIAL & ADMINISTRATIVE



LEGISLATIVE AUDITOR

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	58.00	65.00	65.00	65.00	5.7
Personal Service	\$1,529,726	\$1,983,111	\$1,727,599	\$ 1,727,599	(1.6)
Operating Expense	322,578	535,691	332,199	329,624	(23.0)
Equipment	30,318	4,500	9,394	3,550	(62.8)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>18,784</u>	<u>29,736</u>	<u>---</u>
Total Expenditures	<u>\$1,882,622</u>	<u>\$2,523,302</u>	<u>\$2,087,976</u>	<u>\$2,090,509</u>	<u>(5.1)</u>
Fund Sources					
General Fund	\$1,085,455	\$1,692,776	\$1,204,658	\$1,167,777	(14.6)
State Special	<u>797,167</u>	<u>830,526</u>	<u>883,318</u>	<u>922,732</u>	<u>11.0</u>
Total Funds	<u>\$1,882,622</u>	<u>\$2,523,302</u>	<u>\$2,087,976</u>	<u>\$2,090,509</u>	<u>(5.1)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Staffing Level				
Option a:	\$(150,400)	-0-	\$(150,400)	-0-
Option b:	\$ 18,954	-0-	\$ 18,954	-0-
2. Computer System	\$ 25,000	-0-	\$ 40,000	-0-
3. Travel-out-of-state	\$ 11,517	-0-	\$ 12,317	-0-
4. Contingencies	\$ 36,122	-0-	\$ 33,690	-0-

The Office of the Legislative Auditor was established in 1967 and is governed by Title 5, Chapter 13, MCA. The staff is responsible for auditing the financial affairs and transactions of all state agencies and for assisting the Legislature by gathering and analyzing information pertinent to the fiscal affairs of state government.

The agency is functionally divided into three areas: Administration, Financial/Compliance Auditing, and Performance Auditing. The Financial/Compliance Audit group conducts the regular biennial audits of all state agencies and, recently, the statewide annual financial audit. The Performance Audit group conducts performance audits of selected programs and assists the Financial/Compliance Audit group in evaluations of data processing controls as part of the regular audits.

Historically, the functions of the Legislative Auditor's Office have evolved from performance-oriented audits to the financial/compliance auditing mandated by the federal government and by increasing attention to standardized governmental accounting and financial reporting. Agency management estimates that about 70 percent of the agency function and costs are attributable to the financial/compliance audit. Both audit functions are performed under the guidance of the Legislative Audit Committee. Audit practices are guided by established industry standards and guidelines promulgated by the Federal government.

The 47th Legislature authorized and appropriated funds for 14 additional FTE to increase the frequency of financial/compliance audits from once every three years to once every two years, and to provide for an annual audit of the State's overall combined financial statements. The biennial audit cycle was established to meet requirements of federal OMB Circular A-102, Attachment P. The annual statewide audit was instituted to meet bonding requirements. The biennial audit cycle has been established; however, the statewide audit program was not implemented until fiscal 1984.

As result of the delay in implementing the audit program, the agency has been overfunded in the current and prior years. The level of FTE authorized is the same for both the 1985 and 1987 bienniums, however, a growth in FTE is shown since several authorized positions were not filled in fiscal 1984. The 1985 budget may be \$300,000 to \$400,000 overstated, given the level of expenditure in fiscal 1984, thus the percentage change between bienniums which is shown does not truly represent the rate of growth.

The current level amounts presented for fiscal years 1986 and 1987 are as requested by the agency in the category of personal services. The \$1,799,582 includes the full staffing of authorized positions, and anticipated promotions within the agency's established personnel practices. Operating expense category figures shown have been adjusted from those presented by the agency by two major factors: inflation adjustments included by the agency, and issues which are discussed below.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table presents a comparison of the actual expenditures for fiscal 1984 to the level of expenditures budgeted by the 1983 legislature. This comparison is significant because it provides a very realistic base for evaluation of fiscal 1986 and fiscal 1987 requests.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	65.00	58.00 ¹	7.0
Personal Services	\$1,839,097	\$1,529,726	\$309,371
Operating Expenses	508,245	322,578	185,667
Equipment	<u>7,500</u>	<u>30,318</u>	<u>(22,818)</u>
Total Expenditures	<u>\$2,354,842</u>	<u>\$1,882,622</u>	<u>\$472,220</u>
<u>Funding</u>			
General Fund	\$1,495,968	\$1,085,455 ²	\$410,513
State Special	<u>858,874</u>	<u>797,167²</u>	<u>61,707</u>
Total Funds	<u>\$2,354,842</u>	<u>\$1,882,622</u>	<u>\$472,220</u>

¹Authorized FTE were not filled throughout the fiscal year.

²Post closing figures show \$854,074 in revenues billed.

Seven positions were vacant at the end of the fiscal year. These positions had been kept unfilled through the year and were not filled until July. The related savings in personal services of \$309,371 could be mostly attributed to this factor; however, other savings occurred through partial vacancies in other positions and through savings in amounts paid members of the Legislative Audit Committee. It may be noted that savings in this category of expenditure also occurred in fiscal 1983, in the amount of \$506,333.

The category of operating expenses also showed a major savings in the amount of \$185,666. Part of this would be attributed to the unfilled positions, but an analysis of this category over the last five years indicated a relatively level pattern of expenditures which varied significantly only by the level of contracted audit costs. As discussed below, the fiscal 1984 level of expenditures has been retained as the current level for the 1987 biennium.

The variance in the equipment category was in the other direction in that the agency expended more funds for capital expenditures than had been approved. The majority of the expenditures were for office furniture and equipment, with \$1,967 expended for data processing equipment.

Although total expenditures were 20 percent less than budget, the total fiscal 1984 actual expenditures were 16.3 percent above the fiscal 1983 actual costs. The costs were funded partly by \$797,169 in revenues from billings to agencies. As shown on Note(2), actual billings during the year were \$854,074, nearly at the budgeted level. The difference is principally due to June 1984

billings, collected in fiscal 1985, and thus counted as fiscal 1985 revenue for budget purposes.

Issue 1: Staffing Level

The Legislative Auditor's Office has experienced a sustained history of vacant positions over the last four years. As noted above, seven positions remained vacant over the entire 1984 fiscal year and, although these positions have been mostly filled in fiscal 1985, there remain questions regarding need for all of the authorized positions.

The underlying reasons for increase of staffing were the change in audit frequency and the new statewide audit. The increase in audit frequency has been accomplished within the existing level of staffing, as has the work on the fiscal 1984 statewide audit. Agency managers provided estimates of anticipated direct charge hours for fiscal 1985 and 1986 compared to actual hours in fiscal 1984. Direct charge hours are those actually spent on audit engagements, providing a statistical measure of the workload levels.

Table 2
Schedule of Estimated Direct Hours Charged

	<u>Financial/ Compliance</u>	<u>Performance</u>	<u>Total</u>	<u>% Change 1984 to 1985</u>
Fiscal 1984 Actual	44,888	21,263	77,151	--
Fiscal 1985 Estimated	56,784	21,840	78,624	1.9%
Fiscal 1986 Estimated	56,784	21,840	78,624	--
1984 Actual FTE	34	14	48	--
Average hours/FTE	1643.8	1518.8	1607.3	--
1985 FTE	39	16	55	14.6
Average hours/FTE	1456.0	1365.0	1429.5	(11.1)

The comparison of actual and estimated hours is presented in Table 2. It shows that agency workload will only increase slightly over the 1984 levels, which workload was accomplished with the reduced level of staffing. The increase in staffing would principally reduce the per person workload, but would not directly affect workload levels except to the extent of providing increased capacity for handling special requests: The number of agency financial/compliance audits are finite and the total hours to conduct the audits are

known. Secondly, agency management have recently begun a new approach to the agency audits which would tend to reduce level of effort for each audit. The decrease would tend to offset the level of added effort required for completion of the annual statewide audit.

A final consideration in considering staffing levels is that the level of work can be controlled to some extent. A portion of the work performed by the Financial/Compliance Audit group is in response to legislative requests, as is almost all of the work of the Performance Audit group. The agency's estimate of the costs attributable to the Performance Audit group were in excess of \$650,000 or about 30 percent of total budget.

Option a: Reduce the authorized FTE by seven positions to the 1984 actual staffing levels. This would result in a decreased general fund cost of approximately \$150,000 in each fiscal year of the biennium, from the personal services category before any adjustments to the pay matrix.

Option b: Retain the authorized FTE at the existing level. This decision would require increases to the current level operating expenses to support costs for added staff over fiscal 1984 levels. Areas affected would be: supplies and materials--\$2,433, communications--\$663, travel--\$13,091, and other expenses--\$2,767, for a general fund total of \$18,954.

Issue 2: Computer System

The agency request includes funds for definition and implementation of in-house data processing systems. In fiscal 1986, the request includes \$25,000 for a study of requirements and a definition of system needs. In 1987, \$15,000 is included for computer equipment, and \$25,000 for implementation assistance.

The agency currently processes some applications through the state's central data processing facility, principally to perform job scheduling. Requirements expressed for the new equipment included job scheduling, analysis of questionnaires and audit samples, and for combination of financial statements and adjustments from the agency to the statewide level. The initial \$25,000 expenditure would provide for consultant assistance to help define and synthesize requirements.

Option a: Approve the request as presented, at a cost of \$25,000 in fiscal 1986 and \$40,000 in fiscal 1987 from the general fund. These cost estimates assume consultant support will be available within the \$25,000 and that the equipment recommended will not exceed \$15,000 in cost.

Option b: Include the study of requirements in a separate appropriation for study of such requirements for all Legislative branch agencies.

Issue 3: Travel, Out-of-state

The agency request included significant increases in out-of-state travel for attendance at industry conferences, training schools, and technical review sessions. The amounts requested for each fiscal year would be about twice the amount expended in fiscal year 1984. A number of the trips requested provide for attendance of two staff at each meeting, which is not essential, and other trips reflect expanded membership in the national organizations by the Legislative Auditor.

Option a: The primary issue here is the extent to which the legislature wishes to fund expanded out-of-state travel. The current level budget at the level of 1984 actual costs provides sufficient funds for the most essential out-of-state trips. Approval of the extended travel budget would require \$11,517 in general funds for 1986 and \$12,317 in 1987.

Issue 4: Contingencies

The final area of budget expansion to be reviewed for the Legislative Auditor is the provision of contingency funds in the 1987 biennium budget. The agency request includes the following contingencies:

	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
Contracted Services	\$ 5,000	\$ 5,000
Audit Contracts	20,000	20,000
Telephone Costs	2,432	-0-
Legislative Audit Committee Travel	3,690	3,690
Other instate travel	<u>5,000</u>	<u>5,000</u>
Totals	<u>\$36,122</u>	<u>\$33,690</u>

These contingencies include sums for possible actuarial studies, unanticipated contract audit needs, move of telephones if offices are relocated, added instate committee travel depending on committee membership and location of their homes, and unanticipated travel for response to legislative requests.

The need for contingency funding is greatly influenced by the agency's requirement to respond to legislative requests and by the fact appropriations are only made biennially. Alternatives for funding contingencies can include establishment of a contingency fund which is at least subject to Finance

Committee review before expenditures are made. This provides funding flexibility and yet permits Legislative oversight of all expenditures.

Option a: The principal option available is the extent of funding to be permitted the agency for contingencies. Maximum cost requested would be general fund money of \$36,122 in 1986 and \$33,690 in 1987.

LEGISLATIVE FISCAL ANALYST

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	15.00	15.50	15.00	15.50	0.00
Personal Service	\$407,646	\$471,281	\$522,888	\$523,386	19.0
Operating Expense	101,213	141,219	95,797	149,377	1.1
Equipment	37,290	2,750	2,750	2,750	(86.6)
Inflation	-0-	-0-	6,925	12,911	--
Total Expenditures	<u>\$546,149</u>	<u>\$615,250</u>	<u>\$628,360</u>	<u>\$688,424</u>	<u>13.4</u>
Fund Sources					
General Fund	<u>\$546,149</u>	<u>\$615,250</u>	<u>\$628,360</u>	<u>\$688,424</u>	<u>13.4</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Contract Services				
Option a:	\$12,000	-0-	\$12,000	-0-
Option b:	-0-	-0-	\$(6,000)	-0-
2. Travel	22,503	-0-	\$12,502	-0-
3. Building Rent	3,962	-0-	\$ 4,220	-0-
4. Computer Purchase				
Option a:	11,043	-0-	1,111	-0-
Option b:	26,043	-0-	1,200	-0-

The Office of the Legislative Fiscal Analyst (LFA) was established in 1974 to provide concentrated fiscal analysis of state government and to accumulate, compile, analyze and furnish such information that might bear upon financial matters of the state and that might be relevant to issues of policy and questions of statewide importance. Government legislation is the Legislative Finance Act, Title 5, Chapter 12, MCA, which also established the Legislative Finance Committee.

The major functions of the LFA staff are conducting analyses of budget requests and of agency operations to provide the legislature with an independent analysis of the executive budget and the Executive branch's execution of legislative intent. In the analysis of agency operations, LFA staff should be supported by the Performance Audit staff of the Legislative Auditor. Although, staff are directed by the Legislative Fiscal Analyst under general policy guidance of the Finance Committee staff analyses can be expanded if supported by extensive analysis conducted by the Legislative Auditor.

As shown above, staffing authorized for the agency remains constant through both bienniums, however, the personal service category costs increase by 19 percent. This increase is the result of four factors: fiscal 1984 expenditures are below normal, fiscal 1985 does not include the pay plan cost, salary projections for fiscal years 1986 and 1987 include provision for promotions of staff, and committee salaries are increased to provide for a greater number of meeting in the 1987 biennium. These are discussed below.

The operating expense category reflects a current level decrease from fiscal 1984 to fiscal 1986. The numbers presented have been decreased from those presented by the agency by the amount of any inflation factors included by the agency and by amounts represented in issues described below. The adjusted levels provide sufficient funding to continue current level operations.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	15.00	15.00	0.00
Personal Services	\$468,325	\$407,646	\$60,679
Operating Expenses	120,575	101,213	19,362
Equipment	<u>1,500</u>	<u>37,290</u>	<u>(35,790)</u>
Total Expenditures	<u>\$590,400</u>	<u>\$546,149</u>	<u>\$44,251</u>
<u>Funding</u>			
General Fund	<u>\$590,400</u>	<u>\$546,149</u>	<u>\$44,251</u>

As shown on the table, the LFA spent only \$546,149 of its \$590,400 appropriation. The fiscal 1984 total expenditures were also less than actual expenditures in fiscal 1983. Most of the underexpenditures is in the personal services category, reflecting staff turnover that occurred in the year and resultant vacancy savings. Savings in the operating expense category appear to reflect the spending level appropriate to a non-session year and, the effect of the staff vacancies.

The major variation in fiscal 1984 was in the equipment category. Almost half of the savings generated in other categories was used to purchase two displaywriters.

Current Level Adjustments

The personal services category includes funding for the full FTE complement at their fiscal 1985 rate of pay. Current level figures include \$19,584 in each fiscal year of the biennium to provide for staff promotions. As a result of staff turnover in 1984, new staff have been hired and will be entitled to promotions within the LFA personnel policies. Current level figures also include funding for 24 days of meetings by the Finance Committee in fiscal 1986 and for 12 days in fiscal 1987. This is up from the actual meeting days in the 1985 biennium.

Contract services expenditures for 1987 include provision of \$6,000 for a consultant contract to perform fiscal analysis of legislative agencies. This contract was introduced in the fiscal 1985 budget, providing for review of legislative agency budget requests for the first time in the LFA's history. See also Issue 1, below.)

Issue 1. Contract Services

In its budget request, the Fiscal Analyst's Office has requested \$15,000 for consultants and \$1,000 for routine legal fees as separate items beyond amounts requested for computer programmer fees for each fiscal year. The current level recommendation includes full funding for the programmer and \$4,000 each year for consulting and legal fees, approximately the amount spent in fiscal 1984. The difference of \$12,000 would provide the Finance Committee with funds for hiring special consultants and industry specialists as needed.

A second item within the contract services category is the contract for analysis of the budget needs of legislative agencies. Since the fiscal 1985 analysis is the first of this kind, this contract should be reviewed by the legislature. It is anticipated that a number of issues that are raised as result of the study, will generate some change in the legislative branch operations. This would be expected from a first time analysis. At issue in continuing the contract arrangement would be considering whether added benefit would be gained from a repeat analysis, and whether the same level of open evaluation can be performed if the analysis is done by staff. The sum of the contract estimate is \$6,000 in fiscal 1987.

Option a: Approve the consultant and legal fee funding. Maximum amount requested is \$12,000 of general fund money each fiscal year.

Option b: Discontinue the Legislative Fiscal Analyst Contract for fiscal 1987. This action would save \$6,000 in general fund for fiscal 1987.

Issue 2: Travel

The agency request included significant increases in the travel budget over amounts expended in the 1985 biennium. Specifically, the agency requested \$40,960 and \$24,479 respectively for fiscal years 1986 and 1987. The difference between fiscal years reflects variances in travel in non-session and session years. Amounts included in the current level recommendation were \$17,497 and \$10,498 for fiscal 1986 and fiscal 1987. These amounts were respectively the fiscal 1984 actual costs and 60 percent of that total for fiscal 1987--this is approximately the amount spent during the 1983 session year.

Several items are at issue in this particular area: increased travel and costs for Finance Committee members, increased in-state staff travel, and increased out-of-state travel.

Legislative travel is affected by two elements, the planned greater number of meetings, and contingent planning for maximum cost of legislative attendance. Current level funding recommended includes eight two-day meetings in fiscal 1986 and six in fiscal 1987 at a cost of \$1,000 per meeting. The agency requested 12 meetings and six meetings for the two years at a cost of \$2,000 per meeting. The net difference is \$16,000 for fiscal 1986 and \$6,000 for fiscal 1987.

In-state staff travel requested was \$6,000 for each fiscal year. Current level funding recommended includes only enough to bring fiscal 1986 to the fiscal 1984 actual level, with a corresponding amount for fiscal 1987. Amounts funded are \$3,841 in fiscal 1986 and \$1,670 in fiscal 1987. Differences would increase general fund costs by \$2,159 for fiscal 1986 and \$4,330 in fiscal 1987.

Out-of-state travel costs requested were \$10,000 and \$5,000 for fiscal 1986 and fiscal 1987 respectively. Recommended funding was only for amounts actually spent during preceding fiscal years. Differences are \$4,344 in fiscal 1986 and \$2,172 in fiscal 1987.

Option a: Approve the increased funding for travel. Maximum amounts requested before inflation would total \$22,503 for fiscal 1986 and \$12,502 for fiscal 1987.

Issue 3: Building Rent

The agency requests increased funding for building rent to increase space available by one-third. Amounts requested are \$3,962 in fiscal 1986 and \$4,220 in fiscal 1987. The only issue is whether the move will be accomplished.

Option a: Approve the rent increase contingency at a cost of \$3,962 for fiscal 1986 and \$4,220 in fiscal 1987.

Issue 4: Computer Purchase

The agency's modified request includes funds for purchase of a personal computer and for related maintenance. The computer is to be used for in-house analysis of requests. The purchase price requested is \$10,000 targeting an IBM PC-XT.

The need for computer support is not at issue since agency staff currently rely heavily on computer analysis and support as in use of the LIBS package. An issue that does need to be addressed is the sufficiency of funding. That is, the agency has not provided for program conversion assistance in its request, and the agency should consider a computer with larger memory. Both considerations would increase the amount required.

Option a: Approve the modified request as presented, at a general fund cost of \$11,043 for fiscal 1986 and \$1,111 for fiscal 1987. This option would require the agency to offset conversion costs against amounts budgeted for computer programming.

Option b: Approve the modified request but at an increased cost to provide funds for conversion and for equipment with expanded memory. Estimated additional cost is \$15,000, for total cost of \$26,043 in fiscal 1986.

LEGISLATIVE COUNCIL

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	45.57	55.00	43.57	53.00	(4.0)
Personal Service	\$1,045,566	\$1,431,680	\$1,250,087	\$1,423,446	7.9
Operating Expense	1,039,436	860,266	1,350,867	571,464	1.2
Equipment	93,370	13,538	-0-	-0-	(100.0)
Inflation	-0-	-0-	8,258	19,477	--
Total Expenditures	<u>\$2,178,372</u>	<u>\$2,305,484</u>	<u>\$2,609,212</u>	<u>\$2,014,387</u>	<u>3.1</u>
Fund Sources					
General Fund	\$1,643,441	\$2,126,484	\$1,759,212	\$2,014,387	
Sale of Publications	<u>534,931</u>	<u>179,000</u>	<u>850,000</u>	<u>-0-</u>	<u>19.1</u>
Total Funds	<u>\$2,178,372</u>	<u>\$2,305,484</u>	<u>\$2,609,212</u>	<u>\$2,014,387</u>	<u>3.1</u>

The Legislative Council was established to provide support to the legislature in the drafting of legislation and to coordinate the activities of standing and select committees and subcommittees by providing staff support and report preparation assistance. Staff of the Council is functionally grouped into four statutory divisions--Research, Legislative Services, Management, and Legal Services--and one recently created division, the Research Library. These divisions fall under the Legislative Council Operations budget, which is the first segment described.

The second segment of the budget is for funding of Interim Committees and Conferences. This funding is established annually depending upon the areas of interest to the Legislature and needs for interim studies.

The final budget segment controls the funding segregated for the printing and distribution of the Montana Codes Annotated. This function has been assigned to Council staff, who are responsible for updating and reissuing the Montana statutes after each regular legislative session.

The numbers presented in the agency summary above do not themselves provide any major clue to the number of underlying issues which surfaced in the analysis of the request. These issues are presented and described within the various segments of this analysis. It is suggested that those be evaluated before considering the budget for the agency as a whole.

OPERATIONS

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal <u>1984</u>	Fiscal <u>1985</u>	Fiscal <u>1986</u>	Fiscal <u>1987</u>	1985-87 <u>Biennium</u>
F.T.E	43.50	55.00	41.50	53.00	(4.1)
Personal Service	\$ 996,326	\$1,431,680	\$1,180,697	\$1,423,446	7.2
Operating Expense	284,626	597,593	292,694	496,258	(10.6)
Equipment	82,338	13,538	-0-	-0-	(100.0)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>8,027</u>	<u>19,101</u>	<u>--</u>
Total Expenditures	<u>\$1,363,290</u>	<u>\$2,042,811</u>	<u>\$1,481,418</u>	<u>\$1,938,805</u>	<u>.04</u>
<u>Fund Sources</u>					
General Fund	<u>\$1,363,290</u>	<u>\$2,042,811</u>	<u>\$1,481,418</u>	<u>\$1,938,805</u>	<u>.04</u>

<u>ISSUE: Cost (Savings)</u>	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Staffing Levels				
Option a:	-0-	-0-	\$39,888	-0-
Option b:	-0-	-0-	\$10,347	-0-
Option c:	-0-	-0-	\$11,185	-0-
2. Data Processing Program				
Option a:	\$58,593	-0-	\$20,700	-0-
Option b:	-0-	-0-	\$26,680	-0-
3. Management Division				
Option a:	\$ 6,238	-0-	\$ 7,463	-0-
Option b:	\$ 4,418	-0-	\$ 7,443	-0-
Option c:	\$18,897	-0-	\$13,097	-0-
Option d:	\$ 2,000	-0-	\$ 2,000	-0-
Option e:	\$10,000	-0-	\$10,000	-0-
4. Travel	\$ 7,227	-0-	\$ 5,467	-0-
5. Capital Expenditures	-0-	-0-	-0-	

The Legislative Council Operations budget includes the majority of the Council's funding. This budget contains funding for all Council staff and for all operating expenses attributable to their activities, except those costs which can be directly related to Interim Committees or the Montana Code updating. Staff functions funded in this budget include research staffing support for interim committees and committee staffing during the session, data processing support for staff and the legislature including capture and generation of legislation text, bill drafting and legal research support before and during sessions, followed by updating of the code and preparation of various publications after the session.

The drop in FTE in fiscal 1986 is as requested by the agency. Current level staffing for fiscal 1987 retains the same relationship as established in 1984-85, although the agency sought a total of 56 FTE in its request for fiscal 1987. It may also be noted that the personal service category shows a healthy growth, despite the reduction in staffing levels. As in the rest of its request, the Council was very aggressive in establishing pay levels. Fiscal 1986 salaries are over 20 percent greater than what was actually paid in fiscal 1984. This is partly possible because the council is not on the state's pay matrix and thus sets its salaries at whatever level is desired. The only adjustment made in this category was deletion of \$69,705 in termination pay from the base salaries for both fiscal 1986 and fiscal 1987.

The current level operating expense category shows a net decline over the biennium for two reasons: reduction of all inflationary factors included by the agency which were not supportable based on fiscal 1983 and fiscal 1984 expenditures, and a perceived over-appropriation for fiscal 1985. Several issues are also raised below regarding requested expenditures in light of current actions taken by the agency.

The equipment category shows a decline to zero in the current level analysis. This is one of the major areas of issue with the agency's management of its budget within legislative intent and oversight. As described below, the agency has significantly deviated from the expenditure levels established by the legislature, therefore, the entire category has been treated as a funding issue.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	43.50	43.50	0.00
Personal Services	\$1,163,086	\$996,326	\$166,760
Operating Expenses	430,630	284,627	146,003
Equipment	31,944	82,337	(50,393)
Total Expenditures	<u>\$1,625,660</u>	<u>\$1,363,290</u>	<u>\$262,370</u>
<u>Funding</u>			
General Fund	<u>\$1,625,660</u>	<u>\$1,363,290</u>	<u>\$262,370</u>

Overall, actual expenditures were over 16 percent less than the appropriation, however, the variance was 14.3 percent less in personal services and almost 34 percent less in operating expenses. These savings were offset by a major overexpenditure in equipment purchases.

The underexpenditure in personal service appears only to be the result of over-budgeting since the full staffing complement was in place. As noted, actual salaries paid in fiscal 1984 were 23 percent less than the base established for fiscal 1985, 1986, and 1987.

The underexpenditure in operating expenses also appears to be a result of overbudgeting rather than a curbing of operations. The actual amount spent appeared reasonable and was therefore used as the base for current level recommendations.

The overexpenditure in equipment purchases deserves special discussion because it occurred in other areas of the budget and because it is not an isolated instance. In fiscal 1983, \$17,355 was budgeted for equipment expenditures; actual expenditures were \$111,337, or almost \$94,000 over. The overexpenditure in fiscal 1984 of over \$50,000 included purchases of computers, word processing equipment, and other major office equipment such as laser printers. In fiscal 1985 major purchases have been made in other areas of the budget which have not been legislatively authorized, such as, typesetting software for \$90,000, a photo composition machine for almost \$100,000, and a new voting tally system for the legislature for some \$270,000.

Current Level Adjustments

Recommendations for fiscal 1986 and fiscal 1987 current level are mainly based upon the fiscal 1984 actual dollars except as modified for session year fluctuations supportable by the fiscal 1983 experience. Current level adjustments are included for repairs and maintenance expenditures to recognize increased maintenance contract costs resulting from purchases of equipment. Maintenance contracts expenditures of \$10,696 for fiscal 1986 and \$13,207 for fiscal 1987 are recognized, from a base of \$6,535. All other expenditure increases requested are treated as funding issues. Tables 1 and 2 show the fiscal 1986 and fiscal 1987 current level budget by program before inflation and vacancy savings.

Table 1
Legislative Council Operations Bureau Current Level Before Inflation and Vacancy Savings
Fiscal Year 1986

	<u>Research</u>	<u>Legislative Services</u>	<u>Management</u>	<u>Legal Services</u>	<u>Research Library</u>	<u>LC Oper. Subtotal</u>	<u>Interim Studies</u>	<u>MCA Revolving</u>	<u>Total</u>
FTE	7.00	13.00	10.00	10.00	1.50	41.50	0.00	0.00	41.50
<u>Personal Services</u>									
Salaries Regular	\$196,000	\$267,000	\$212,500	\$315,000	\$31,000	\$1,021,500	\$ -0-	-0-	\$1,021,500
Salaries Hourly	-0-	-0-	5,200	-0-	-0-	5,200	64,250	-0-	69,450
Benefits (.14917)	29,237	39,828	32,115	46,989	4,624	152,793	5,140	-0-	157,933
Insurance	8,400	15,600	12,000	12,000	2,400	50,400	-0-	-0-	50,400
Total Personal Svs.	\$233,637	\$322,428	\$261,815	\$373,989	\$38,024	\$1,229,893	\$69,390	-0-	\$1,299,283
<u>Operating Expenses</u>									
Contracted Services	\$ 909	\$179,807	\$ 3,041	\$ 457	\$ 2,940	\$187,154	\$ 30,000	\$735,000	\$ 952,154
Supplies and Materials	-0-	-0-	9,362	-0-	7,055	16,417	20,000	9,000	45,417
Communications	474	-0-	20,857	-0-	-0-	21,331	7,810	106,000	135,141
Travel	1,814	2,000	7,903	1,073	500	13,290	75,000	-0-	88,290
Rent Office	-0-	-0-	30,643	-0-	-0-	30,643	-0-	-0-	30,643
Repairs & Maintenance	-0-	8,143	10,696	-0-	-0-	18,839	-0-	-0-	18,839
Other	672	941	1,000	2,408	-0-	5,021	75,363	-0-	80,384
Total Operating Exp.	\$ 3,869	\$190,891	\$ 83,502	\$ 3,938	\$10,495	292,695	\$208,173	\$850,000	\$1,350,868
Total Expenditures	<u>\$237,506</u>	<u>\$513,319</u>	<u>\$345,317</u>	<u>\$377,927</u>	<u>\$48,519</u>	<u>\$1,522,588</u>	<u>\$277,563</u>	<u>\$850,000</u>	<u>\$2,650,151</u>

Table 2
Legislative Council Operations Bureau Current Level Before Inflation and Vacancy Savings
Fiscal Year 1987

	Research	Legislative Services	Management	Legal Services	Research Library	LC Oper. Subtotal	Interim Studies	MCA Revolving	Total
FTE	7.00	22.50	10.00	12.00	1.50	53.00	0.00	0.00	53.00
<u>Personal Services</u>									
Salaries Regular	\$196,000	\$267,000	\$212,500	\$315,000	\$31,000	\$1,021,500	-0-	-0-	\$1,021,500
Salaries Hourly	-0-	-0-	5,200	-0-	-0-	5,200	-0-	-0-	5,200
Session Salaries	-0-	153,500	-0-	66,000	-0-	219,500	-0-	-0-	219,500
Benefits (.14967)	29,335	39,962	32,221	47,146	4,640	153,304	-0-	-0-	153,304
Insurance	8,400	15,600	12,000	12,000	2,400	50,400	-0-	-0-	50,400
Session Benefits	-0-	22,974	-0-	9,878	-0-	32,852	-0-	-0-	32,852
74									
Total Personal Svs.	\$233,735	\$499,036	\$261,921	\$450,024	\$38,040	\$1,482,756	-0-	-0-	\$1,482,756
<u>Operating Expense</u>									
Contract Services	\$ 909	\$353,900	\$ 3,041	\$ 457	\$4,100	\$362,407	-0-	\$ -0-	\$362,407
Supplies & Materials	-0-	7,000	9,362	-0-	7,750	24,112	-0-	-0-	24,112
Communications	474	-0-	20,857	-0-	-0-	21,331	-0-	-0-	21,331
Travel	1,814	2,000	7,903	1,073	500	13,290	-0-	-0-	13,290
Rent	-0-	16,720	31,975	-0-	-0-	48,695	-0-	-0-	48,695
Repairs & Maintenance	-0-	8,470	13,207	-0-	-0-	21,677	-0-	-0-	21,677
Other	672	941	725	2,408	-0-	4,746	\$75,206	-0-	79,952
Total Operating Expn.	\$ 3,869	\$389,031	\$ 87,070	\$ 3,938	\$12,350	\$ 496,258	\$75,206	-0-	\$ 571,464
Total Expenditures	\$237,604	\$888,067	\$348,991	\$453,962	\$50,390	\$1,979,014	\$75,206	-0-	\$2,054,220

Issue 1: Staffing Levels

The agency request includes two areas of staff expansion for fiscal 1987: added session employees and full-time staffing for the Research Library. The session employee increases are in addition to the staff level increase provided for the 1985 session. In fiscal 1985, legislative services will add 9.5 FTE (19 part-time employees) to handle processing of legislation, and Legal Services will hire 2 FTE (4 part-time attorneys) to handle increased workload for drafting legislation. The agency has requested 2 additional FTE for legislative services and an additional .5 FTE for legal for fiscal 1987. Cost of the added FTE would be \$39,888 in fiscal 1987. Additionally, \$10,347 was reduced from the amount requested for the attorney's given the salary levels for permanent staff.

The added .5 FTE requested for the Research Library would convert the Assistant Librarian from part-time to full-time. The added FTE would be used for supporting an expanded library which would also maintain library materials for the Environmental Quality Council. Cost of the added .5 FTE is \$6,900 for fiscal 1987. Added costs for the expanded library are \$1,160 in contract services, \$2,775 in supplies, and \$350 in repairs and maintenance, for a total of \$4,285. Of this total, \$1,600 is attributable to the Environmental Quality Council; \$2,000 has been reduced from their budget.

Option a: Permit increased staffing for the 1987 session at a general fund cost of \$39,888. At issue is the need for staffing beyond the fiscal 1985 level.

Option b: Increase salary and benefits cost for temporary attorneys if the agency can show a need to fund these positions for more than regular staff. The general fund cost is \$10,347 for fiscal 1987.

Option c: Allow increased size of Research Library function including expanded FTE. Fiscal 1987 costs would increase \$11,185.

Issue 2: Data Processing Program

The council staff have been very aggressive in use of automation to enhance processing and support of the legislature. Applications such as ALTER have been used to assist in the production of legislation, annotations and indexes, tracking of bills, and preparation of session publications. There is no question that expansion of the data processing support has been beneficial to the legislature and to the legislative staff. The issue raised here is one of size and direction; it is raised to make the legislature aware.

The Legislative Services Division of the Legislative Council provides the data processing support. It appears and has been acknowledged that the direction for the growth of data processing within the council comes from the director and the data processing staff. Little if any of the program direction has occurred because of or with overall concurrence of the legislature.

For example, the Legislative Services Division has evolved a plan to place all of the legislature on one word processing system which would interface with the ALTER system through a personal computer interface software. The plan would have significant implication on equipment purchasing, training for legislative staff, and data processing costs. It has not received budgetary review or been reviewed with other legislative agencies, yet it has been put into effect in the ordering of equipment and purchasing of the software.

The agency's Legislative Services Division request includes funding for computer support which totals \$238,400 in fiscal 1986 and \$374,600 in fiscal 1987 for contracted services. These requests are respectively \$58,593 and \$20,700 more than the amount included in the current level for each fiscal year. In addition, the fiscal 1987 requests include \$3,000 more for session supplies than current level, and \$23,688 more in equipment rental costs for rent of specialized copying equipment for the session. All of these added costs represent use of more advanced technology and increased use of data processing facilities, but without legislative oversight.

The issue here, then, is whether the legislature wants to fund ever increasing costs of automation without benefit of having reviewed and accepted the direction being taken. A secondary issue is whether the legislature wishes to accept the growth in use of automation for one legislative agency without considering how that growth might benefit or hamper operations of the other agencies.

Option a: Accept the increased computer usage projected by the council and increase contracted services funding by \$58,593 for fiscal 1986 and \$20,700 for fiscal 1987.

Option b: Accept the plan to use high speed printers and increase fiscal 1987 costs of supplies by \$3,000 and rent of equipment by \$23,680. This direction will probably lead to a future decision on purchasing laser printers, similar to the action already taken in fiscal 1984.

Issue 3: Management Division Requests

The Council's Management Division functions are the central administrative control for the agency. For budget control purposes, many items which are common to the agency are budgeted and controlled by this division. Such items include photocopying services, telephone costs, management and council travel, building rent, maintenance contracts and training. Because they are presented in one budget, they are combined here as one issue, although each category of expense will be presented separately.

SUPPLIES AND MATERIALS

The request for this category is for \$15,600 in fiscal 1986 and \$16,825 in fiscal 1987 for costs which include photocopy charges. These amounts are \$6,238 over actual fiscal 1984 costs in fiscal 1986 and \$7,463 over in fiscal 1987. Both cost increases result from new photocopy machines being used.

COMMUNICATIONS

The agency request for telephone and postage charges includes \$28,308 for fiscal 1986 and \$33,677 for fiscal 1987. Actual fiscal 1984 costs (non-session) were \$20,857 and only \$21,935 was spent in fiscal 1983 (session). The amounts include high inflation factors recommended by the executive, which, if excluded are still \$4,418 over actual in fiscal 1986 and \$7,443 over in fiscal 1987.

TRAVEL

The Council requests \$26,800 for travel in fiscal 1986 and \$21,000 in fiscal 1987. Fiscal 1984 was used as the base recommendation for fiscal 1986 and 1987 current level, in the amount of \$7,903. Note that fiscal 1983 costs were less at \$6,826. The difference represents provision for monthly meetings of the council at \$1,200 per meeting and for staff out-of-state travel to CSB, NCSL, and Legislative Conference meetings. Prior history in both instances indicates the Council does not meet at the budgeted frequency and out-of-state travel is not accomplished.

RENT

Prior costs included rental for word processing software of approximately \$2,000 per year. These costs are no longer necessary because the agency purchased the word processors and the software, both of which had been approved as lease items, not as capital expenditures. However, the agency wishes to retain the appropriation to procure more microcomputer and word

processing software for the purchased equipment, since that was left off the request.

REPAIRS AND MAINTENANCE

Because of the purchase of the word processors and personal computers, the agency must now acquire maintenance contracts. Total amounts requested are \$10,696 in fiscal 1986 and \$13,207 in fiscal 1987. These costs have been included as current level adjustments.

OTHER EXPENSES-TRAINING

The Council has adopted a personnel policy which requires providing 40 hours of training per year to staff. This policy is estimated to require \$10,000 per year for training through the Department of Administration.

Option a: Supplies and Materials - Increase the base level authorization to fund the additional photocopy costs by \$6,238 in fiscal 1986 and \$7,463 in fiscal 1987.

Option b: Communications - increase base level authorization for postage and telephone by \$4,418 in fiscal 1986 and \$7,443 in fiscal 1987 if the Council can show a basis for the increased costs.

Option c: Travel - Issue is extent of travel to be allowed, particularly for out-of-state, and the reasonably expected Council travel. If the travel requested is approved, increase travel for fiscal 1986 by \$18,897 and for fiscal 1987 by \$13,097.

Option d: Rent - At issue is the funding of \$2,000 per year for software. This is not recommended until the agency has developed a definite plan for computerization which has the acceptance of the legislature.

Option e: Staff Training - At issue is whether a committee personnel policy is binding with regard to requiring or committing the legislature to provide funding, if it has not been previously approved by the legislature. If approved, the added cost is \$10,000 per year.

Issue 4: Travel, Other Divisions

Other divisions of the Council also have requested expanded travel budgets. Specifically, Legal Services requested travel for fiscal 1986 of \$6,300 and for fiscal 1987 of \$4,540; the Research Library requested \$2,000 per year for out-of-state travel. Amounts included in current level for Legal Services were fiscal 1984 actual of \$1,073. No amounts were included for Library travel.

Option a: If increased travel is approved, this would provide for greater attendance at out-of-state functions. Additional costs for both divisions: \$7,227 for fiscal 1986 and \$5,467 for fiscal 1987.

Issue 5: Capital Expenditures

The agency has requested \$35,776 in 1986 and \$38,193 in 1987 for equipment. The 1986 request includes funding for 3 micro and 2 personal computers (total cost \$16,360), plus \$8,500 for software, in addition to the general requests for office equipment. For 1987, the request includes two more personal computers, and \$12,765 to expand the Research Library.

The purchase of personal computers has been requested under authority of the director's direction to obtain 2 per year until each staff person in Legal and Research has one to use. Four personal computers have already been purchased.

The issues raised are these: Implementation of a major data processing program without legislative review or approval, and expansion of the use of computers without consideration of the effects on personnel costs. The first has already been discussed above.

The personnel issue is important here because the plan for acquiring computers has been sold as needed for improving productivity. It is questionable that giving a personal computer to each Researcher and Attorney will improve productivity, per se. Further, the size of the investment is not justified if the machines would remain idle a good part of the time while researchers and attorneys are researching, attending meetings, etc.

From a different perspective, agency management acknowledged that workloads for attorneys in non-session years have been less than full time. Hence, attorneys have been assigned to committees to provide more work, a move which would be counter to improvement of productivity by improving staff effectiveness.

The combination of the two issues and the agency's history of conformity with legislative authorization lead to the recommendation that no funds be made available for equipment until the agency provides a detailed plan to the legislature regarding use of automation by the Legislative Council. It is anticipated that such an analysis would also evaluate requirements of other legislative agencies, and would consider effects of automation on its staffing levels.

INTERIM STUDIES AND CONFERENCES

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	2.07	0.00	2.07	0.00	0.00
Personal Service	\$ 47,691	-0-	\$ 69,390	\$ -0-	45.5
Operating Expense	143,021	83,673	208,173	75,206	25.0
Equipment	206	-0-	-0-	-0-	(100.0)
Inflation	-0-	-0-	231	376	--
Total Expenditures	<u>\$190,918</u>	<u>\$83,673</u>	<u>\$277,794</u>	<u>\$75,582</u>	<u>(28.7)</u>
Fund Sources					
General Fund	\$183,348	\$83,673	\$265,794	\$ 75,582	(27.9)
Other Funds Approp.	<u>\$7,570</u>	<u>-0-</u>	<u>12,000</u>	<u>-0-</u>	<u>58.5</u>
Total Funds	<u>\$190,918</u>	<u>\$83,673</u>	<u>\$277,794</u>	<u>\$75,582</u>	<u>(28.4)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. NCSL/CSG Travel	\$94,000			

The budget for Interim Studies and Conferences includes funding for studies by interim committees and for dues and travel to the Council of State Governments and the National Conference of State Legislatures. These studies are funded separate from the regular Council operations, though Council staff provide the majority of the research support.

Comparisons in the schedule above are provided for information. Percentage changes are somewhat skewed except for the totals because of the carryover of fiscal 1984 projects to fiscal 1985.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. Table 2 shows the amounts appropriated for fiscal 1984 and the expenditures made by the committees. As shown, part of the expenditures are for personal services, mostly for legislators. Several studies have funded staff, however, such as the staff funded for the Water Marketing Study. Other expenditures are for travel, supplies, contracted services.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	0.00	2.07	(2.07)
Personal Service	\$ -0-	\$ 47,691	(47,691)
Operating Expenses	399,066	143,019	256,047
Equipment	-0-	206	(206)
Total Expenditures	<u>\$399,066</u> ¹	<u>\$190,916</u> ¹	<u>\$208,150</u>
<u>Funding</u>			
General Fund	\$389,066	\$183,346	\$205,720
Other Funds	10,000	7,570	2,430
Total Funds	<u>\$399,066</u>	<u>\$190,916</u>	<u>\$208,150</u>

¹\$320,400 of this appropriation is for the biennium, of which only \$122,236 has been spent. This leaves \$198,164 which may be carried forward to fiscal 1985.

In fiscal 1984, less than half of the budgeted funds were expended. This leaves \$198,164 of the biennial appropriations which can be expended in fiscal 1985. The relationship of categories of expenditures in the fiscal 1984 actual figures was used as the basis for allocating fiscal 1986 totals: 25 percent to personal services and 75 percent of operating expenses. Other than this adjustment, no changes have been made to amounts requested for the Interim studies. Actual allocation of budget will be done by the assigned researcher.

Issue 1: NCSL/CSG Travel

The one area of traditional question is the amount which will be spent on travel to the NCSL and CSG conferences. For the 1985 biennium, \$25,000 was budgeted for NCSL travel and \$15,000 for CSG travel. This is comparable to amounts authorized in previous years.

In 1984, \$8,065 of the NCSL authorization was spent; \$5,970 of the CSG authorization was used. The remaining funds are available for expenditure in fiscal 1985. Current level recommendation for fiscal 1986 for these conferences is at the 1985 biennium budget level, since this appears to be an acceptable level of expenditure. Full funding of the request would require an additional \$94,000 in fiscal 1986 general funds.

MONTANA CODES ANNOTATED

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
Operating Expense	\$516,535	\$179,000 ¹	\$850,000	-0-	22.2
Equipment	10,826	-0-	-0-	-0-	(100.0)
Inflation	-0-	-0-	-0-	-0-	--
Total Expenditures	<u>\$527,361</u>	<u>\$179,000</u>	<u>\$850,000¹</u>	<u>-0-</u>	<u>20.3</u>
<u>Fund Sources</u>					
Other Funds Approp.	<u>\$527,361</u>	<u>\$179,000</u>	<u>\$850,000</u>	<u>-0-</u>	<u>20.3</u>

¹The \$98,000 excess of expenditure over revenue is result of a budget adjustment to purchase equipment
²A biennial appropriation is requested by the agency.

Funding for the Montana Code Annotated is under control of the Legislative Council, since the agency is responsible for maintaining and updating the statutes. Functions performed are by the Legal Services and Legislative Services staffs, who draft and process legislation introduced, then codify the passed laws and prepare annotations and session notes in the interim periods. These activities are funded in their respective operations budgets.

Costs funded within this segment of the budget are those which are directly related to the printing and distributions of the codes, annotations, and annotation supplements. Costs are funded by revenues generated from sale of the publications.

The schedule above shows several items which are the issues addressed in this analysis. First, it should be noted that the fiscal 1985 budget has been adjusted by \$98,000 to fund a capital expenditure not previously authorized. Secondly, the growth rate of the program is significant and deserves detailed analysis. Finally, the requested appropriation supports a different operation for fiscal 1986 and fiscal 1987 than was supported in fiscal 1984 due to changes made by the council in fiscal 1985.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. The table is presented at the expenditure category level to show the degree of variation in functions and amounts budgeted versus actual. This is important because the net variance on total expenditures is almost negligible. The main conclusion drawn is that a

significant underestimation of the program requirements was made: Printing and binding costs were greater than expected for both the Codes and Annotations. Similarly, distribution costs were underestimated. Funds set aside for computer systems study were diverted to fund the overexpenditures.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
Contracted Services:			
MCA			
Print and Bind	\$242,000	\$313,422	\$ (71,422)
Data Retrieval	89,540	-0-	89,540
Extra Titles	25,000	-0-	25,000
Microfiche	600	5,486	(4,886)
Legislative Review	12,000	-0-	12,000
Subtotal MCA	\$369,140	\$318,908	\$ 50,232
Print and Bind Annotations	50,000	154,289	(104,289)
Computer Services-Data			
Base Project	75,000	2,254	72,746
Total Contracted Services	<u>\$494,140</u>	<u>\$475,451</u>	<u>\$ 18,689</u>
Supplies & Materials:			
MCA-Boxes and Misc.	7,000	681	6,319
Annotations-Supplies	2,000	306	1,694
Total Supplies	<u>\$ 9,000</u>	<u>\$ 987</u>	<u>\$ 8,013</u>
Communications:			
MCA-Postage	\$ 20,000	\$ 33,437	\$ (13,437)
Annotations-Postage	5,000	4,622	378
Total Communications	<u>\$ 25,000</u>	<u>\$ 38,059</u>	<u>\$ (13,059)</u>
Travel and Misc:			
MCA-Out-of-state	\$ -0-	\$ 1,265	\$ (1,265)
Annotation-Out-of-state	-0-	772	(772)
Total Travel & Misc.	<u>\$ -0-</u>	<u>\$ 2,037</u>	<u>\$ (2,037)</u>
Total Operating Expenses	\$528,140	\$516,534	\$11,606
Equipment	-0-	10,826	(10,826)
Total Expenditures	<u>\$528,140</u>	<u>\$527,360</u>	<u>\$ 780</u>
Fund Sources			
Sale of Publications	\$450,000	\$663,285	\$ (213,285)
Total Funds	<u>\$450,000</u>	<u>\$663,285</u>	<u>\$ (213,285)</u>

Current Level Adjustments

In the early part of the current fiscal year, the budget was adjusted to permit acquisition of the TIPE software package for \$90,000 plus \$8,000 for its maintenance. This package has been used by the phototypesetter who previously provided composition of the code from input provided by the Council staff. The purchase of the software was part of a plan to eliminate the typesetting entirely. It included purchase of the software and purchase of a photocomposer driven by the TIPE generated data tapes. The photocomposer has also been purchased through use of unappropriated funds at a cost of approximately \$100,000.

Justification for the purchase indicated savings would occur in the charges paid to have the text composed. These charges would offset the purchase cost. Table 4 provides a comparison of 1984 costs, the 1985 budget, and the revised 1986 request by the agency after giving credit for effects of the purchase.

Table 4
Montana Code Annotated
Detailed Comparison of Budget Requests

	Actual Fiscal 1984	Budget Fiscal 1985	Request Fiscal 1986	Percent Change 1984-85 to 1986
<u>Operating Expense</u>				
<u>Contracted Services:</u>				
MCA-Printing & Fiche	\$318,908	\$ -0-	\$314,000	
Annotations-Printing	154,289	50,000	220,000	
Data Base Project	2,254	75,000	75,000	
Inhouse Data Preparation	-0-	-0-	48,000	
Print Annotation Supplements	-0-	-0-	13,000	
TIPE Software Maint.	-0-	8,000	-0-	
MCA-Extra Titles	-0-	25,000	50,000	
Legislative Review-MCA	-0-	-0-	15,000	
Total	\$475,451	\$158,000	\$735,000	16.0
Supplies and Materials:	987	4,000	9,000	80.5
<u>Communications(Postage):</u>				
MCA	\$ 33,437	\$ 20,000	\$ 40,000	
Annotations	4,622	5,000	25,000	
Annotation Suppl.	-0-	-0-	41,000	
Total	\$ 38,059	\$25,000	\$106,000	68.1
Travel & Misc.	\$ 2,037	-0-	-0-	(100.0)
Total Operating Expenses	\$516,534	\$187,000	\$850,000	20.8
Equipment	10,826	90,000	-0-	(100.0)
Total Expenditures	<u>\$527,360</u>	<u>\$277,000</u>	<u>\$850,000</u>	<u>5.7</u>

As may be seen on the table, the net effect of the action is not at this point a savings of cost. Contract services are up by 16 percent in fiscal 1986 versus fiscal 1984 and 1985. These costs include an estimated additional in-house computer usage cost of \$48,000 to process the software.

Communications costs are also up by 68 percent, and in total operating expenses are up by 20.8 percent. The only savings reflected in the comparison is in capital expenditures for the purchase of the software.

It must be recognized that some of the increase is due to a greater number of pages being printed. The criticism of changing a program in a major way without legislative review cannot be mitigated, however, by such a disclosure.

CONSUMER COUNSEL

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	4.25	4.25	4.25	4.25	0.00
Personal Service	\$151,845	\$174,006	\$178,354	\$178,354	9.4
Operating Expense	481,949	529,350	483,149	483,149	(4.4)
Equipment	3,019	900	1,000	1,000	(48.9)
Inflation	-0-	-0-	41,251	67,107	---
Total Expenditures	<u>\$636,813</u>	<u>\$704,256</u>	<u>\$703,754</u>	<u>\$729,610</u>	<u>6.8</u>
<u>Fund Sources</u>					
State Special	<u>\$636,813</u>	<u>\$704,256</u>	<u>\$703,754</u>	<u>\$729,610</u>	<u>6.8</u>

<u>ISSUE: Cost (Savings)</u>	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Contingency Funding	-0-	\$154,954	-0-	\$154,954
2. Capital Expenditures	-0-	-0-	-0-	19,000

The Office of the Consumer Counsel was created by Article XIII, Section 2 of the Montana Constitution of 1972. The office is governed by Title 5, Chapter 15, MCA, and by Title 69, Chapters 1 and 2, MCA. The Consumer Counsel is charged with the "duty of representing consumer interest in hearings before the Public Service Commission or any other successor agency." The Consumer Counsel also may initiate, intervene in, or otherwise participate in appropriate proceedings in the state and federal courts and in administrative agencies on behalf of the public of Montana.

In carrying out the functions of the office, the Consumer Counsel uses a staff of only three employees, including one rate analyst and one attorney. Most of the major work, however, such as analysis of larger filings, is contracted to out-of-state specialists. In recent years, this cost category has become the major component of the budget of the Consumer Counsel. For the 1982, 1983, and 1984 fiscal years, contracted services expenditures were more than 92 percent of operating expenses. In fiscal 1984, almost \$450,000 was spent on contracted services, roughly 70 percent of total expenditures.

The 1986-87 biennium request is similar to prior requests. Although the agency has provided for increase to the personal service category, the FTE remain the same. The increase of 9.5 percent in personal service represents mainly the increase taken in the 1985 fiscal year plus an adjustment of salaries

for fiscal 1986 as requested by the agency. This agency does not follow the state pay matrix.

The operating expenses category shows a decrease of 4.4 percent at current level, the recommended expenditures are tied to the 1984 actual amounts expended with one exception, building rent. The fiscal 1985 budget is also at this approximate level of expenditure, with the exception of the contracted services category, which was appropriated at a \$50,000 increase over the fiscal 1984 level. Similarly, 1986 and 1987 equipment expenditures are tied to 1984 actual expenditures.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. It is indicative of the agency's method of operation that the entire budget was expended, with savings in the personal service category used to fund excess costs in contracted services, communications, and travel.

Essentially, the statutes provide for the budget requirements of the agency to be funded by a tax on regulated utilities which is set each year based on the budget approved for the agency. The pattern of expenditure which has been established, and which fiscal 1984 clearly represents, is for contracted services to be increased annually to fund analysis of utility filings, with staff used to direct consultants' efforts. See Issue 1, below.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	4.25	4.25	0.00
Personal Service	\$159,802	\$151,846	7,956
Operating Expenses	474,011	481,948	(7,937)
Equipment	3,000	3,019	(19)
Total Expenditures	<u>\$636,813</u>	<u>\$636,813</u>	<u>-0-</u>
<u>Funding</u>			
Other Funds Appropriation	<u>\$636,813</u>	<u>\$636,813</u>	<u>-0-</u>

Current Level Adjustments

As noted above, building rent expense has been increased in the current level to provide for a rental increase to take effect in April, 1985. The increase to \$7,200 per year from \$6,000 per year represents an increase of \$1 per square foot. The amount of increase is not significant given the space needs. It may

be appropriate to seek suitable space closer to the Capitol or to the Public Service Commission now that the lease is up to permit coordination of other expressed needs, such as data sharing. (See Issue 2 below).

Issue 1: Contingency Funding

The agency's fiscal 1986 and fiscal 1987 base requests include provision for continuing the fiscal 1985 level of contracted analysis plus an additional sum of \$100,000 to handle two new cases: AT&T Communications and the Montana-Dakota Utilities Williston Basin Reorganization. The total requested before inflationary adjustment is \$597,745 for Contracted Services, plus an additional \$6,285 in out-of-state travel to fund staff travel to Washington D.C. The sum of these would be \$154,954 more than the corresponding amounts spent in fiscal 1984, or a 33 percent increase in contracted services, and a 43 percent increase in travel. This increase incorporates the growth already established for fiscal 1985.

The growth projected for the new cases is a result of the national AT&T reorganization and a proposed Montana Dakota Utilities (MDU) reorganization. The Consumer Counsel expects that AT&T Communications will file for various areas of relief, requiring hiring of consultants to perform the complex analysis. the MDU reorganization concerns the transfer of gas production, transmission, and storage property in the Williston Basin to a new company, with MDU renting back gas for intra-city distribution. The new arrangement would not only change rate bases, but also change the regulatory jurisdiction, since the new company would fall under federal regulatory control. Thus, the hearing in Washington, D.C.

These two cases are specific examples of the type of change within the industry which will continue to consume greater levels of resources to monitor. The solution proposed in the request is the most expedient: increase the appropriation, then the tax, then the level of contracted services. Under this approach, contracted services costs have grown from \$292,100 in fiscal 1982 to a proposed level of over \$600,000 in fiscal 1986 and fiscal 1987. The funding of the cost increases and the base has been borne principally by a few companies, and therefore, in turn by the consumers.

The short-term problem is that the agency has not developed internal staff which could assume some of the base level analyses from consultants, other than in the one rate analyst. The Consumer Counsel indicated some areas where staff analysts could perform work now contracted out. It is suggested here that alter-

native to contracting be explored to determine if cost reductions can occur without minimizing service.

Option a: Approve the increased funding for contingencies beyond the fiscal 1984 level of expenditure. Total cost is \$148,669 in contracted services and \$6,285 in travel, for a total of \$154,954 in other funds; \$100,000 of this increase would be contingency.

Option b: Increase the contract service category to the level of the fiscal 1985 appropriation, \$496,750, and provide a \$50,000 contingency, plus approve funding of the travel increase of \$6,285. Total increase over fiscal 1984 is \$103,959. This option recognizes the need for some increase in contingency funding, but also forces reevaluation of the use of the contracted services budget. Assuming the funding level requested by the agency is a valid expression of workload, the agency will need to determine how to most effectively use available funds to handle the work, including reassessment of the need for consultants versus staff.

Issue 2: Capital Expenditures

The agency request includes \$20,000 for equipment purchases in fiscal 1986. The expressed purpose is to replace a memory typewriter (1977) with something that would provide work processing capability and some information storage capability. The Counsel was aware of a need but unsure of a specific direction to take, therefore, they were not specific in the request.

The level of funding requested would be sufficient to permit the agency to obtain a micro-computer and to begin development of an information base regarding utility filings. To make this effective, the agency needs to determine where it will use this information within its operation, in essence, defining how staff will function. This assessment can be viewed as related to the assessment suggested in Issue 1, above. If staffing constraints will not permit use or even gathering of information, the decision on the typewriter replacement becomes just that, and the \$1,000 provided in current level funding should be sufficient.

The equipment issue, however, appears to be more related to the change in the overall function of the agency. It is thus recommended that the acquisition be contingent on completion of the reassessment described.

Option a: Defer funding of the request to fiscal 1987, contingent on presentation of a plan by the agency to the Consumer Counsel which outlines how the equipment would be used within any proposed staffing and operating plan adjustments. Cost in fiscal 1987 is \$19,000.

ENVIRONMENTAL QUALITY COUNCIL

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	6.25	6.25	6.25	6.25	0.00
Personal Service	\$140,468	\$164,062	\$168,297	\$168,299	10.5
Operating Expense	62,556	69,179	65,032	63,252	(2.6)
Equipment	11,776	-0-	-0-	-0-	(100.0)
Inflation	-0-	-0-	3,566	6,663	--
Total Expenditures	<u>\$214,800</u>	<u>\$233,241</u>	<u>\$236,895</u>	<u>\$238,214</u>	<u>6.1</u>
<u>Fund Sources</u>					
General Fund	<u>\$214,800</u>	<u>\$233,241</u>	<u>\$236,895</u>	<u>\$238,214</u>	<u>6.1</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Contract Services	-0-	-0-	\$10,000	-0-
2. Library Subscriptions	\$2,000	-0-	\$ 2,000	-0-

The Environmental Quality Council was established in 1971 to implement provisions of the Montana Environmental Policy Act (MEPA - Title 75, Chapter 1, MCA). The Council functions as an arm of the legislature, with the role of anticipating and analyzing the causes of environmental problems and recommending solutions to those problems. The Council is to insure that state environmental policy is consistently observed by all state agencies that are concerned with environmental matters. The legislature assigns interim studies relating to natural resources and economic development to the Council, and the Council staffs Natural Resource Committees during the legislative sessions.

The recommendations for current level funding shown above provide for continuation of the existing operation of the Environmental Quality Council. The major growth reflected above is for personal service. This is the result of partial funding of salaries within the Legislative Council, through an interim study appropriation in fiscal 1984. Because of that funding, fiscal 1984 actual costs are shown as less than normal. The fiscal 1986 and fiscal 1987 recommendation is at the level requested by the agency.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. As noted above, part of the

Environmental Quality Council's costs in fiscal 1984 were reimbursed from funding for the Water Marketing Study. 1984 costs of that study were \$15,482 for personal services and \$11,214 for operating expenses, including \$8,427 in travel. These costs have been considered in evaluating actual expenditures for fiscal 1984 and the requested levels of funding.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	6.25	6.25	0.00
Personal Service	\$163,709	\$140,468	\$23,241
Operating Expenses	68,229	62,556	5,673
Equipment	-0-	11,776	(11,776)
Total Expenditures	<u>\$231,938</u>	<u>\$214,800</u>	<u>\$17,138</u>
<u>Funding</u>			
General Fund	<u>\$231,938</u>	<u>\$214,800</u>	<u>\$17,138</u>

Given the reimbursements from the Legislative Council, the difference in personal service costs are less than 5 percent of the budget level for 1984. Operating expenses were affected conversely, because the lack of staff required hiring of consultant support to accomplish regular council duties such as publishing the annual report. Further, savings from salaries and building rent were used to fund equipment purchases which had not been legislatively approved. Thus fiscal 1984 actual costs for contracted services and equipment are over normal levels.

Current Level Adjustments

The budget base recommended for fiscal 1986 is based on fiscal 1984 actuals, modified for effects of the Water Marketing Study reimbursements. There are several exceptions to this: Contracted services costs have been included at the level requested by the agency, based on a listing of anticipated uses which is less than actual fiscal 1984 expenditures. For fiscal 1987 the category has been increased to recognize greater cost of printing the annual report.

Travel costs have been increased in fiscal 1986 fiscal year by \$8,427 over the fiscal 1984 actual amounts, to recognize effect of the reimbursements. The recommended total is still less than the amount requested, which amount includes provision for additional council travel. The 1987 level, which is less than 1986, is as requested by the agency.

Building rent is again included in the recommendation, although the agency has not been assessed rent. This is in anticipation that the agency will be asked to pay by the Department of Administration. The rent provided is \$5,039.

The final adjustment is as requested by the agency for other expenses. This adjustment reduces the subscriptions costs in fiscal 1987 by \$2,000 in anticipation that the legislative council will assume responsibility for providing EQC with library services through its Research Library Division.

Issue 1: Contracted Services

The agency requested fiscal 1987 contracted services budget (before inflation) which is \$4,233 more than the amount recommended. As noted, this recommendation provides added funds for printing the annual report in fiscal 1987. This was the only expansion item suggested by the agency staff; the addition of \$3,000 provides a total of \$5,000 for the annual report.

The \$5,000 amount is based on amounts paid in fiscal 1984. The budget for 1985 is only \$2,000 for a more condensed single topic annual report. The fiscal 1983 annual report, which was comprehensive, cost \$15,000 to print. The basic issue is thus how extensive an annual report will be required. The expanded recommendation of \$5,000 would need to be supplemented significantly if a report is to be produced in fiscal 1987 which equals the comprehensiveness of the fiscal 1983 report.

Option a: Produce a report of the magnitude of the 1983 report. Cost of printing will need to increase by \$10,000 or that amount less any savings from other printing projects. Maximum additional cost is \$10,000 of general fund money.

Issue 2: Library Subscriptions

The fiscal 1987 recommendation for other expenses has been reduced for costs of subscriptions by \$2,000. This presumes Legislative approval of the Legislative Council's plan to provide library services. If this plan is not approved, \$2,000 should be added back to this budget.

JUDICIARY

	FTE FY '87	-----1987 Biennium -----	
		<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	91.00	\$8,490,633	\$9,639,304
LFA Current Level	<u>91.00</u>	<u>8,256,649</u>	<u>9,379,419</u>
Executive Over (Under) LFA	<u><u>0.00</u></u>	<u><u>\$ 233,984</u></u>	<u><u>\$ 259,885</u></u>

The executive budget is \$259,885 higher than current level. This is due to vacancy savings in current level and the executive budget adding services. The major difference between the executive budget and current level are shown in the issues.

Issue 1: Vacancy Savings

The current level analysis has 4 percent vacancy savings on all programs except the District Court Operations. The executive budget does not remove any vacancy savings. This makes a difference of \$96,433 of general fund and \$25,743 of state special revenue for the 1987 biennium.

SUPREME COURT OPERATIONS

Issue 2: Montana Reports

The executive budget includes \$81,120 for the biennium to publish Montana Reports. This was not done in fiscal 1984 and was not included as a current level item.

Issue 3: Sentencing Data Project

The executive budget includes \$5,700 in fiscal 1986 to buy computer software for making regular sentencing reports. The LFA current level does not include funds for the computer software.

BOARD AND COMMISSIONS

Issue 4: Supplies

The executive budget has approximately \$10,000 more for the biennium than current level. These costs are to print revised and updated civil rules and civil jury instructions and to complete confidential cases for the judiciary standards commission.

DISTRICT COURT

Issue 5: Contract Services

The executive budget has included approximately \$32,000 for the 1987 biennium for continuing legal education seminars for the judges. The LFA current level does not include funding for the continuing legal education.

JUDICIARY

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	85.00	90.50	91.00	91.00	3.7
Personal Service	\$3,035,705	\$3,290,754	\$3,467,846	\$3,478,439	9.7
Operating Expense	685,833	997,059	834,165	833,479	(0.9)
Equipment	262,814	240,293	248,343	224,347	(6.0)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>31,203</u>	<u>63,170</u>	<u>--</u>
Total Operating Costs	\$3,984,352	\$4,528,106	\$4,581,557	\$4,599,435	7.8
Non-Operating Costs	<u>96,855</u>	<u>98,933</u>	<u>97,542</u>	<u>100,885</u>	<u>1.3</u>
Total Expenditures	<u>\$4,081,207</u>	<u>\$4,627,039</u>	<u>\$4,679,099</u>	<u>\$4,700,320</u>	<u>7.7</u>
<u>Fund Sources</u>					
General Fund	\$3,833,793	\$3,998,123	\$4,125,715	\$4,130,934	5.4
State Special	<u>247,414</u>	<u>628,916</u>	<u>553,384</u>	<u>569,386</u>	<u>28.1</u>
Total Funds	<u>\$4,081,207</u>	<u>\$4,627,039</u>	<u>\$4,679,099</u>	<u>\$4,700,320</u>	<u>7.7</u>

The Judicial branch of state government is provided for in Article III, Section I and Article VII of the 1972 Montana Constitution. In Section II of Article VII, the jurisdiction of the Supreme Court is defined. That jurisdiction consists of all appellate jurisdiction and original jurisdiction in petitions for writs of habeas corpus and other such writs, general supervisory control over all courts, and rule making powers of Montana's courts.

The current level operations increases approximately 8 percent. This increase is reflected in the state special revenue fund as the water courts budget is included as requested. The requested level for the water courts is double the fiscal 1984 actual expenditures level, but below the fiscal 1985 authorized operating level.

SUPREME COURT

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E.	32.00	32.00	32.00	32.00	0.00
Personal Service	\$ 960,341	\$ 922,849	\$ 935,533	\$ 937,484	(0.5)
Operating Expense	274,519	349,960	274,519	260,769	(14.2)
Equipment	44,563	-0-	28,659	5,163	(24.1)
Inflation	-0-	-0-	9,499	21,921	--
Total Operating Costs	\$1,279,423	\$1,272,809	\$1,248,210	\$1,225,337	(3.0)
Non-Operating Costs	96,855	98,933	97,542	100,885	1.3
Total Expenditures	<u>\$1,376,278</u>	<u>\$1,371,742</u>	<u>\$1,345,752</u>	<u>\$1,326,222</u>	<u>(2.7)</u>
<u>Fund Sources</u>					
General Fund	<u>\$1,376,278</u>	<u>\$1,371,742</u>	<u>\$1,345,752</u>	<u>\$1,326,222</u>	<u>(2.7)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Microfilm Project	\$ 71,500	-0-	\$ 71,500	-0-
2. Additional FTE	\$136,774	-0-	\$102,160	-0-
3. Sentencing Project	\$ 5,700	-0-	-0-	-0-
4. Printing Costs	\$ 40,560	-0-	\$ 40,560	-0-

The Supreme Court is the appellate court in the State of Montana. The Supreme Court also has original jurisdiction to issue, hear, and determine writs of habeas corpus and other writs as provided by law. The Supreme Court Operations program relates specifically to the day-to-day operations of the court.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	32.00	32.00	0.00
Personal Services	\$ 924,506	\$ 960,341	\$(35,835)
Operating Expenses	365,998	274,519	91,479
Equipment	-0-	44,563	(44,563)
Total Operating Costs	\$1,290,504	\$1,279,423	\$ 11,081
Non-Operating Costs	96,855	96,855	-0-
Total Costs & General Fund	<u>\$1,387,359</u>	<u>\$1,376,278</u>	<u>\$ 11,081</u>

The difference in operating expenses is caused by fewer Montana Reports being published than expected and leased equipment being purchased. The purchase of leased equipment causes the difference between what was budgeted by the legislature and what was actually bought.

Current Level Adjustments

No adjustments except inflation were made to operating expenses in fiscal 1986. The Legislative Auditor's fees of \$13,750 are in fiscal 1986 only.

Issue 1: Microfilm Process

The Supreme Court is requesting funds for microfilming supreme court records. They estimate there is 665 cubic feet to microfilm. The cost of this project is \$143,000. It is estimated that one half the amount can be accomplished each year.

Option a: Appropriate \$71,500 in general fund annually for the project.

Option b: Appropriate \$71,500 in general fund annually to the Department of Administration for the project.

Option c: Do not fund the project.

Issue 2: Additional FTE

The Supreme Court is requesting one staff attorney and three court secretaries. Operating costs associated with these positions include supplies of \$1,200 each year of the biennium, travel of \$4,800 for IBM equipment training for fiscal year 1986 only, and \$29,856 for equipment consisting of four IBM terminals and two IBM printers. For this modified request the Judiciary provided no data relating to a workload increase. The total general fund request is \$136,774 in fiscal 1984 and \$102,160 in fiscal 1987.

Issue 3: Sentencing Data Project

Funds of \$5,700 in general fund are requested for a sentencing data project. The following was submitted as justification for that project. "The legislature has mandated regular sentencing reports from the Supreme Court and as yet has not provided the funds necessary for applicable computer software. This money would provide that software."

Issue 4: Increased Printing Costs

An increase in printing costs of \$40,560 is requested. The following narrative was submitted as justification for the project. "Publishing of Montana

Reports did not catch up in fiscal 1984. The original publisher will print two catch-up volumes per year, and the new publisher, current in fiscal 1985, will print four current volumes per year in the 86-87 biennium. The total cost of printing six volumes is \$40,560 per year."

BOARDS AND COMMISSIONS

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	3.00	3.00	3.00	3.00	0.00
Personal Service	\$ 80,867	\$ 66,518	\$ 75,374	\$75,406	2.3
Operating Expense	109,460	124,883	109,460	109,460	(6.5)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>8,518</u>	<u>13,931</u>	<u>--</u>
Total Expenditures	<u>\$190,327</u>	<u>\$191,401</u>	<u>\$193,352</u>	<u>\$198,797</u>	<u>2.7</u>
<u>Fund Sources</u>					
General Fund	<u>\$190,327</u>	<u>\$191,401</u>	<u>\$193,352</u>	<u>\$198,797</u>	<u>2.7</u>

The Montana Constitution assigns a number of duties to the Supreme Court. These duties include, but are not limited to, supervision over all other courts, development of rules for appellate procedure, establishment of appropriate practice and procedure for all other courts, plus rule making for admissions to the bar and member conduct. These duties are not accomplished by the court itself, but by 13 boards and commissions which are a part of the Supreme Court.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	3.00	3.00	0.00
Personal Services	\$ 66,617	\$ 80,867	\$(14,250)
Operating Expenses	<u>125,661</u>	<u>109,460</u>	<u>16,201</u>
Total Costs & General Fund	<u>\$192,278</u>	<u>\$190,327</u>	<u>\$ 1,951</u>

The majority of the operating expense difference is in the Courts of Limited Jurisdiction which had budgeted operating expenses of \$19,178 and expended only

\$5,925 and Judicial Standards which was budgeted \$6,000 and expended \$2,110 more in operating expenses than anticipated.

LAW LIBRARY

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	6.50	6.50	6.50	6.50	0.00
Personal Service	\$123,375	\$149,168	\$148,928	\$148,988	9.3
Operating Expense	122,084	153,171	118,635	118,635	(13.8)
Equipment	201,684	210,000	201,684	201,684	(2.0)
Inflation	-0-	-0-	1,625	7,952	--
Total Expenditures	<u>\$447,143</u>	<u>\$512,339</u>	<u>\$470,872</u>	<u>\$477,259</u>	<u>(1.1)</u>
<u>Fund Sources</u>					
General Fund	\$438,767	\$482,631	\$461,372	\$467,740	0.8
State Special	<u>8,376</u>	<u>29,708</u>	<u>9,500</u>	<u>9,519</u>	<u>(50.0)</u>
Total Funds	<u>\$447,143</u>	<u>\$512,339</u>	<u>\$470,872</u>	<u>\$477,259</u>	<u>(1.1)</u>

The Law Library is a reference source for the Montana Supreme Court, district courts, and all attorneys who practice law in the state. The inventory of books and materials on hand can be classified into the following categories: treatises, law reviews, reports, and microfilm. The law library also maintains a collection of all state codes.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	6.50	6.50	0.00
Personal Services	\$149,463	\$123,375	\$26,088
Operating Expenses	143,327	122,084	21,243
Equipment	200,900	201,684	(784)
Total Expenditures	<u>\$493,690</u>	<u>\$447,143</u>	<u>\$46,547</u>
<u>Funding</u>			
General Fund	\$464,532	\$438,767	\$25,765
State Special	<u>29,158</u>	<u>8,376</u>	<u>20,782</u>
Total Funds	<u>\$493,690</u>	<u>\$447,143</u>	<u>\$46,547</u>

The table indicates a 17.4 percent difference in what the Law Library was budgeted in personal services and what they expended. The difference is mainly due to a reference librarian position being vacant for most of fiscal 1984. In the category of operating expenses, Westlaw, a computerized legal data base consisting primarily of case law, was authorized \$29,158. Of this amount, \$8,376 was used.

The following rates were charged for Westlaw in July, August, and September of calendar year 1984.

Table 1
State Library Changes for Westlaw in 1984

<u>Month</u>	<u>Government</u>	<u>Private</u>
July	\$ 88.00 per/hr.	\$115.00 per/hr.
August	\$101.00 per/hr.	\$130.00 per/hr.
September	\$ 52.00 per/hr.	\$130.00 per/hr.

Current Level Adjustments

Job candidate expenses of \$3,449 were removed from the fiscal 1984 base. A new librarian was hired by the court in September of 1984. For this reason the Judiciary stated that no budget had been developed for the law library, but one would be developed by the end of November 1984. At the time of this analysis in December, no budget had been received by this office. The budget remains at current level.

DISTRICT COURTS

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>---Current Level---</u>		<u>% Change</u> <u>1985-87</u> <u>Biennium</u>
	<u>Fiscal</u> <u>1984</u>	<u>Fiscal</u> <u>1985</u>	<u>Fiscal</u> <u>1986</u>	<u>Fiscal</u> <u>1987</u>	
F.T.E	34.00	34.00	36.00	36.00	5.9
Personal Service	\$1,704,525	\$1,801,713	\$1,994,302	\$2,002,402	13.9
Operating Expense	123,896	150,636	123,896	123,896	(9.7)
Inflation	-0-	-0-	7,041	11,877	--
Total Expenditures	<u>\$1,828,421</u>	<u>\$1,952,349</u>	<u>\$2,125,239</u>	<u>\$2,138,175</u>	<u>12.7</u>
<u>Fund Sources</u>					
General Fund	<u>\$1,828,421</u>	<u>\$1,952,349</u>	<u>\$2,125,239</u>	<u>\$2,138,175</u>	<u>12.7</u>

The District Court Operations Program allocates monies to pay district judges salary, travel, and training expenses. No vacancy savings was taken in this program.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	32.00	32.00	0.00
Personal Services	\$1,683,116	\$1,704,525	\$(21,409)
Operating Expenses	146,886	123,896	22,990
Total Costs & General Fund	<u>\$1,830,002</u>	<u>\$1,828,421</u>	<u>\$1,581</u>

The District Court Operations Program used 15 percent of its operating budget to pay for personal services costs. The number of judges increase to 36 for fiscal 1986 and 1987 as authorized by the 1983 legislature.

WATER COURTS SUPERVISION

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>---Current Level---</u>		<u>% Change</u> <u>1985-87</u> <u>Biennium</u>
	<u>Fiscal</u> <u>1984</u>	<u>Fiscal</u> <u>1985</u>	<u>Fiscal</u> <u>1986</u>	<u>Fiscal</u> <u>1987</u>	
F.T.E	11.50	15.00	13.50	13.50	1.9
Personal Service	\$166,597	\$350,506	\$313,709	\$314,159	21.4
Operating Expense	55,874	218,409	207,655	220,719	56.1
Equipment	16,567	30,293	18,000	17,500	(24.2)
Inflation	-0-	-0-	4,520	7,489	--
Total Expenditures	<u>\$239,038</u>	<u>\$599,208</u>	<u>\$543,884</u>	<u>\$559,867</u>	<u>31.6</u>
<u>Fund Sources</u>					
State Special	<u>\$239,038</u>	<u>\$599,208</u>	<u>\$543,884</u>	<u>\$559,867</u>	<u>31.6</u>

<u>ISSUE: Cost (Savings)</u>	<u>-----Fiscal 1986-----</u>		<u>-----Fiscal 1987-----</u>	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Excess Appropriation Authority	-0-	\$(222,992)	-0-	\$(229,545)

The Water Courts Supervision Program staff is responsible for the adjudication of claims of existing water rights in Montana and supervision of the

distribution of water among the four water divisions.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	11.50	11.50	0.00
Personal Services	\$246,707	\$166,597	\$ 80,110
Operating Expenses	118,745	55,874	62,871
Equipment	52,878	16,567	36,311
Total Costs & State Revenue	<u>\$418,330</u>	<u>\$239,038</u>	<u>\$179,292</u>

The water courts spent 42 percent less than anticipated in fiscal 1984. The primary reason given for this was that not as much activity in the area of water rights adjudication took place as was expected.

Issue 1: Excess Appropriation Authority

The following table indicates three years of appropriations for the water courts.

Table 1
Comparison of Water Court Budget to Actual Expenditures
Fiscal 1982 through Fiscal 1984

	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>Total</u>
Budgeted	\$235,522	\$276,023	\$418,330	\$929,875
Expended	<u>119,710</u>	<u>192,397</u>	<u>239,038</u>	<u>551,145</u>
Difference	<u>\$115,812</u>	<u>\$ 83,626</u>	<u>\$179,292</u>	<u>\$378,730</u>
Percent Expended	51	70	57	59.3

Because the appropriated amount has been consistently less than the expended amount, the legislature may want to:

Option a: Reduce the budget to bring it in line with historical expenditures and fund 59 percent of the request. This would save \$222,992 in fiscal 1986 and \$229,545 in fiscal 1987.

Option b: Fund the entire request.

GOVERNOR'S OFFICE

	FTE <u>FY '87</u>	- - - - 1987 Biennium - - - - <u>General Fund</u>	<u>Total Funds</u>
Executive Budget	59.08	\$4,739,623	\$5,644,827
LFA Current Level	<u>55.40</u>	<u>4,140,363</u>	<u>4,867,758</u>
Executive Over (Under) LFA	<u><u>3.68</u></u>	<u><u>\$ 599,260</u></u>	<u><u>\$ 777,069</u></u>

The executive budget is \$777,069 above current level analysis. The executive budget contains 2.5 FTE that were transferred from other agencies to perform functions similar to the ones performed at the other agencies, but at a higher cost to the general fund.

EXECUTIVE OFFICE

Issue 1: Aging Coordinator, Flathead Basin Commission, Coal Tax Advocacy

The executive budget includes three items in the executive office that the current level analysis does not. These items are (a) the aging coordinator, (b) Flathead Basin Commission, and (c) coal tax advocacy. Total costs of these projects for the biennium are \$371,842. Associated with these projects are 1.18 FTE. The current level analysis discusses these projects as issues.

Issue 2: National Dues

The executive budget includes approximately \$48,000 more for the biennium than the current level analysis for dues to several national associations for the Governor's budget office, state planning, and employment and vocational training. The current level analysis retains dues \$101,000 for the biennium.

AIR TRANSPORTATION PROGRAM

Issue 3: Aircraft Maintenance

The executive budget includes funds for unscheduled maintenance on the Governor's airplane. The current level analysis includes only funds for scheduled maintenance. The difference over the biennium is \$32,000.

NORTHWEST REGIONAL POWER ACT

Issue 4: FTE Level

The current level analysis has deleted 1 FTE position totaling \$49,428 for the biennium. The position, an economist IV, was vacant all of fiscal 1984.

Issue 5: Operating Expenses

The executive budget has increased operating expenses over the 1984 biennium by \$117,083. The current level analysis retains operating expenses at current level.

BOARD OF VISITORS

Issue 6: Legal Services Program

The executive budget includes the Legal Services Program transfer from the Department of Institutions to the Board of Visitors. The cost of this program is \$92,610 for the biennium. Associated with this program is 1.50 FTE. The current level analysis does not include this transfer in current level and discusses the transfer as an issue.

GOVERNOR'S OFFICE

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennial
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E.	58.02	57.50	55.40	55.40	4.7
Personal Service	\$1,604,305	\$1,710,191	\$1,720,111	\$1,723,493	3.8
Operating Expense	800,049	809,193	657,000	677,349	(17.0)
Equipment	36,449	4,295	1,849	849	(93.3)
Inflation	-0-	-0-	31,139	55,968	--
Total Expenditures	<u>\$2,440,803</u>	<u>\$2,523,679</u>	<u>\$2,410,099</u>	<u>\$2,457,659</u>	<u>(1.9)</u>
<u>Fund Sources</u>					
General Fund	\$2,122,505	\$2,111,679	\$2,049,483	\$2,090,880	(2.2)
Federal Revenue	<u>318,298</u>	<u>412,000</u>	<u>360,616</u>	<u>366,779</u>	<u>(0.3)</u>
Total Funds	<u>\$2,440,803</u>	<u>\$2,523,679</u>	<u>\$2,410,099</u>	<u>\$2,457,659</u>	<u>(1.9)</u>

The Governor has constitutional and statutory authority to administer the affairs of the state of Montana; assure that the laws of Montana are faithfully executed; appoint all military and civil officers of the state whose appointments are provided for by statute or the Constitution; approve or disapprove legislation; report to the legislature on the condition of the state; submit a biennial executive budget; grant reprieves and pardons within the best interests of Montana; serve on various boards and commissions as provided by the Constitution and statutes; and represent the state in relations with other governments, the public, and various organizations of states.

The Governor's Office consists of the Lieutenant Governor's Office responsible for performance of those duties prescribed by law and those delegated to him by the Governor; the Office of Budget and Program Planning, responsible for assisting the Governor in the planning, preparation, and the administration of the state budget; the Citizens' Advocate Office responsible for making state government more responsible and accessible to the citizens of Montana; the Mental Disabilities Board of Visitors responsible for reviewing patient care at Montana's institutions and community health centers; the Northwest Power Planning Council responsible for the development of a twenty-year electric energy plan that will provide an efficient and adequate electric power supply for consumers in the

Pacific Northwest and encourage conservation and development of natural resources; the Mansion Maintenance Program responsible for the Governor's household expenses; and the Air Transportation Program which provides an airplane and pilot to the Governor's Office.

There is a reduction of 2.62 FTE from fiscal 1984 current level figures. Reductions in FTE are in the Executive Office--1.15 FTE, the Northwest Power Council--1.37 FTE, and the Mansion Maintenance Program--.10 FTE.

Reductions in operating expenses are due primarily to not budgeting for the Flathead Basin Commission or the Coal Tax Advocacy Program. These items are presented as issues in the Executive Office Program budget.

EXECUTIVE OFFICE

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	20.65	20.50	19.50	19.50	4.9
Personal Service	\$ 618,732	\$621,506	\$618,444	\$619,192	(0.2)
Operating Expense	394,725	290,228	269,368	253,618	(23.6)
Equipment	18,601	1,515	500	-0-	(97.5)
Inflation	-0-	-0-	11,794	21,290	--
Total Expenditures	<u>\$1,032,058</u>	<u>\$913,249</u>	<u>\$900,106</u>	<u>\$894,100</u>	<u>(7.7)</u>
<u>Fund Sources</u>					
General Fund	\$1,023,080	\$913,249	\$900,106	\$894,100	(7.3)
Federal Revenue	<u>8,978</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$1,032,058</u>	<u>\$913,249</u>	<u>\$900,106</u>	<u>\$894,100</u>	<u>(7.7)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Coal Tax Lobby Effort	\$124,985	-0-	\$125,094	-0-
2. Additional Washington, D.C. Staff	\$ 25,025	-0-	\$ 25,036	-0-
3. Flathead Basin Commission	\$ 40,500	-0-	-0-	-0-
4. Client Assistance Program	-0-	\$ 50,000	-0-	\$ 50,000
5. Clark Fork River Coordinating Project	-0-	\$267,500	-0-	\$267,500
6. Aging Coordinator				
Option a:	\$ 40,671	-0-	\$ 40,685	-0-
Option b:	\$ 10,168	\$ 30,503	\$ 10,175	\$ 30,510

The Executive Office Program is responsible for overseeing and directing the activities of the executive branch of government. Anticipated budgeted expenditures relating to the Flathead Basin Commission and the Coal Tax

Advocacy Program are not included as current level in the 1987 biennum.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. The following table includes expenditures made relating to the Executive Office, Clark Fork River Project, Flathead Basin Commission, and Coal Tax Advocacy in fiscal 1984.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	20.50	20.65	0.15
Personal Services	\$ 622,577	\$ 612,369	\$ 10,208
Operating Expenses	300,688	254,111	46,577
Flathead Basin Commission	45,000	8,797	36,203
Coal Tax Advocacy	200,000	143,263	56,737
Equipment	6,930	9,925	(2,995)
Total Expenditures	<u>\$1,175,195</u>	<u>\$1,028,465</u>	<u>\$146,730</u>
<u>Funding</u>			
General Fund	\$1,162,695	\$1,021,353	\$141,342
Federal Revenue	12,500	7,112	5,388
Total Funds	<u>\$1,175,195</u>	<u>\$1,028,465</u>	<u>\$146,730</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 3,593	\$ (3,593)

A .15 FTE was added to provide the necessary accounting for legislative salaries earned during the meeting of an interim committee funded by the Coal Severance Tax lobby appropriation. The table shows that operating expenses were not fully utilized. Audit fees of \$14,000 will be used in fiscal 1985 rather than fiscal 1984. A \$12,500 federal EPA grant was not totally expended; \$5,388 remained. Of the travel money for the Commission on Uniform State laws, \$3,504 was not used. The executive office spent \$21,551 less than budgeted primarily in contract services and travel. The executive office transferred \$22,000 of the \$53,790 to the Air Transportation Program for radar equipment that cost \$22,166. Computer equipment, including a personal computer, was purchased for the Governor's Office. The budget amendment was for the Clark Fork River Basin project which coordinates and assists in federal, state, and local water studies.

Current Level Adjustments

The executive office's current level budget is reduced at the agency's re-

quest by 1 FTE accounting technician position. Expenses associated with the coal tax lobby effort and Flathead Pasin Commission are not in the current level analysis. Legislative audit fees are \$15,750 in fiscal 1986.

Issue 1: Coal Tax Advocacy Program

Since 1981, \$700,000 has been authorized for the purpose of advocating the state's right to levy a 30 percent tax on coal mined within Montana's borders. Of the \$700,000 authorized, \$475,730 has been expended leaving a carryover of \$227,290 for fiscal 1985.

Table 1
Coal Tax Lobby Effort

	<u>FY 1981</u>	<u>FY 1982</u>	<u>FY 1983</u>	<u>FY 1984</u>	<u>Total</u>
Balance Carried Forward		\$492,200	\$302,496	\$170,553	
Authorized	\$500,000			\$200,000	\$700,000
Expended	<u>7,800</u>	<u>\$189,704</u>	<u>\$131,943</u>	<u>143,263</u>	<u>472,710</u>
Balance	<u>\$492,200</u>	<u>\$302,496</u>	<u>\$170,553</u>	<u>\$227,290</u>	<u>\$227,290</u>

In fiscal 1984, \$143,260 was spent on defense of the coal tax. The majority of these funds was expended on a contract with a Washington lobbyist firm. Funds were also spent for travel of \$8,052 and equipment costing \$7,190. Other operating expenses totaled \$1,684, and personnel services totaled \$961. The Governor is requesting an appropriation of \$250,079 for defense of the coal tax during the 1987 biennium, this includes support for .18 FTE. Of the \$250,079, lobbyist fees are estimated to be \$219,000. Before funds are appropriated for the Coal Tax Advocacy Program, the legislature may want to consider reviewing the goals and objectives of the lobbyist contract to determine if these goals and objectives are being achieved or have changed.

Option a: Appropriate funds for lobbyist contract at a cost of \$124,985 in fiscal 1986 and \$125,094 in fiscal 1987.

Option b: Do not appropriate funds for this contract.

Issue 2: Additional Washington, D.C. Staff

The Governor's Office is requesting an additional FTE to provide assistance

to Montana's federal-state coordinator in Washington, D.C. This individual will be responsible for office management and for performing research assignments on the federal budget and pending legislation that affects Montana. If this additional FTE is hired, the office could also become responsible for monitoring coal tax legislation, reducing the need for the lobbyist contract discussed in Issue 1. Costs associated with this FTE are 100 percent general fund.

Option a: Fund the additional position with the intent that this position be responsible for monitoring coal tax legislation as well as other duties. If done in conjunction with Issue 1, this option may cost no additional general funds.

Option b: Fund the request at \$25,025 in fiscal 1986 and \$25,036 in fiscal 1987.

Option c: Do not fund the request.

Issue 3: Flathead Basin Commission

The Flathead Basin Commission was appropriated \$45,000 for the 1985 biennium. Of this amount, \$8,769 was expended. The commission is requesting \$40,500 in the 1987 biennium to continue operations. Of the \$40,500, \$32,000 is for consulting services and \$8,500 is for operating expenses. The Flathead Basin Commission is funded with general fund.

Option a: Fund the request.

Option b: Do not fund the request.

Issue 4: Client Assistance Program

The executive office is requesting that it be able to continue a client assistance program allowed by budget amendment 229 in fiscal 1985. This client assistance program provides education and advocacy services to handicapped individuals regarding current vocational rehabilitation programs. The program is a prerequisite of the federal government for obtaining federal funds for vocational rehabilitation. This program is 100 percent federally funded. The Governor is requesting \$50,000 per year in authority for this program. The money is requested in the consultant and professional services category.

Option a: Fund the request.

Option b: Do not fund the request.

Issue 5: Clark Fork River Coordinating Project

The executive office is requesting that it be allowed to continue the Clark Fork River Coordinating Project, which was started by budget amendment in fiscal 1984. This project's basic objective is to provide administrative continuity to wa-

ter related studies within the basin area. The Governor is requesting \$267,500 and 3 FTE per year for the Clark Fork River coordinating project. Funds for this project are provided by the federal government and the Anaconda Company. Federal funds have not yet been secured.

Option a: Fund the request at a cost of \$267,500 in fiscal 1986 and 1987.

Option b: Do not fund the request.

Issue 6: Aging Coordinator

The Governor's Office intends to transfer the aging coordinator program and the council on aging from the Department of Social and Rehabilitation Services to the executive office. Included with this transfer is 1 FTE. The reason for the transfer as stated by the executive office is to reflect the legislative intent of Section 2-15-231(1), MCA, which states: "There is an office of aging, headed by a coordinator of aging. The office is in the Governor's Office."

Expenditures for these programs in fiscal 1984 were \$36,718--general fund of \$9,179 and federal funds of \$27,539. The 1987 biennium request is for \$40,671 general fund in fiscal 1986 and \$40,685 general fund in fiscal 1987. In order to keep general fund expenditures for this program down, the legislature may want to follow the following option.

Option a: Fund the request at a general fund cost of \$40,671 in fiscal 1986 and \$40,685 in fiscal 1987.

Option b: Fund the aging coordinator at a general fund cost of \$10,168 in fiscal 1986 and \$10,175 in fiscal 1987. The federal funding would be \$30,503 in fiscal 1986 and \$30,510 in fiscal 1987.

Option c: Do not fund the request.

MANSION MAINTENANCE PROGRAM

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	2.25	2.25	2.15	2.15	(4.4)
Personal Service	\$34,304	\$43,229	\$38,850	\$38,864	0.2
Operating Expense	17,889	22,131	18,071	18,071	(9.6)
Equipment	1,160	250	500	-0-	(64.5)
Inflation	-0-	-0-	2,131	3,220	--
Total Expenditures	<u>\$53,353</u>	<u>\$65,610</u>	<u>\$59,552</u>	<u>\$60,155</u>	<u>0.6</u>
<u>Fund Sources</u>					
General Fund	<u>\$53,353</u>	<u>\$65,610</u>	<u>\$59,552</u>	<u>\$60,155</u>	<u>0.6</u>

The Mansion Maintenance Program provides housing maintenance for the Governor's official residence.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	2.25	2.25	0.00
Personal Services	\$43,085	\$34,304	\$ 8,781
Operating Expenses	20,871	17,889	2,982
Equipment	850	1,160	(310)
Total Costs and General Fund	<u>\$64,806</u>	<u>\$53,353</u>	<u>\$11,453</u>

Personal services were \$8,781 less than expected due to vacancy savings associated with the food service worker position and clerical worker position which is .5 FTE in the mansion program and .5 FTE in the Executive Office, respectively. Communication expenditures were less than anticipated.

Current Level Adjustments

One .25 FTE food service worker is reduced to .15 FTE. Other adjustments include, removal of a one-time expenditure of \$599 and an increase of \$783 to reflect the addition of the June utility bills that were not included in fiscal 1984 expenditures. Equipment is \$500 to replace a freezer built in 1956.

AIR TRANSPORTATION

<u>Budget Item</u>	<u>Actual Fiscal 1984</u>	<u>Appropriated Fiscal 1985</u>	<u>---Current Level---</u>		<u>% Change 1985-87 Biennium</u>
			<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	
F.T.E	1.00	1.00	1.00	1.00	0.00
Personal Service	\$ 29,284	\$28,300	\$30,218	\$30,230	4.9
Operating Expense	72,575	56,260	49,931	49,931	(22.4)
Inflation	-0-	-0-	(108)	1,507	--
Total Expenditures	<u>\$101,859</u>	<u>\$84,560</u>	<u>\$80,041</u>	<u>\$81,668</u>	<u>(13.2)</u>
<u>Fund Sources</u>					
General Fund	<u>\$101,859</u>	<u>\$84,560</u>	<u>\$80,041</u>	<u>\$81,668</u>	<u>(13.2)</u>

The Air Transportation Program is responsible for providing the Governor safe and reliable air transportation.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. It indicates that operating expenses were overspent in relation to anticipated expenditures by \$19,085. This variance is due to the replacement of a radar system and contract service costs for a pilot. Funds of \$22,000 were transferred from the executive office for the radar purchase which cost \$22,116.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	1.00	1.00	0.00
Personal Services	\$28,344	\$ 29,284	\$ (940)
Operating Expenses	53,490	72,575	(19,085)
Equipment	4,653	-0-	4,653
Total Expenditures	<u>\$86,487</u>	<u>\$101,859</u>	<u>\$(15,372)</u>
<u>Funding</u>			
General Fund	<u>\$86,487</u>	<u>\$101,859</u>	<u>\$(15,372)</u>

Current Level Adjustments

In fiscal 1984 this program spent \$37,857 on repair and maintenance. Included in this figure is \$22,116 for the radar purchase. Expenditures for the radar purchase have been removed from the base. Scheduled maintenance is included in the 1987 biennium budget at \$10,882 per year. Other adjustments include an increase in insurance of \$2,101 and minor adjustments totaling \$2,310. A one-time telephone expenditure for \$80 was deleted.

OFFICE OF BUDGET AND PROGRAM PLANNING

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	18.25	18.25	18.25	18.25	0.00
Personal Service	\$520,228	\$552,924	\$576,134	\$578,005	7.5
Operating Expense	89,354	140,742	82,446	118,547	(12.6)
Equipment	11,057	2,530	-0-	-0-	(100.0)
Inflation	-0-	-0-	2,050	4,230	--
Total Expenditures	<u>\$620,639</u>	<u>\$696,196</u>	<u>\$660,630</u>	<u>\$700,782</u>	<u>3.3</u>
Fund Sources					
General Fund	<u>\$620,639</u>	<u>\$696,196</u>	<u>\$660,630</u>	<u>\$700,782</u>	<u>3.3</u>

The Office of Budget and Program Planning assists the Governor in the planning, preparation, and administration of the state budget; the development and evaluation of alternative program plans for the provision of state government services; and the examination of methods of providing services to the citizens of Montana.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. The major differences in operating expenses was due to expending only 42 percent of the \$57,485 budgeted for data processing. The equipment difference is mainly due to the purchase of a personal computer and other data processing equipment.

A personal computer and software was also purchased at fiscal year-end 1983 for \$11,146.

Budget Item	Legislature	Actual	Difference
F.T.E.	18.25	18.25	0.00
Personal Services	\$550,164	\$520,228	\$29,936
Operating Expenses	124,743	89,354	35,389
Equipment	2,400	11,057	(8,657)
Total Costs & General Fund	<u>\$677,307</u>	<u>\$620,639</u>	<u>\$56,668</u>

Current Level Adjustments

At the agency request, contract services, dues, subscriptions, and registration fees were decreased. Other minor adjustments increase costs approximately \$500. The increase in operating expenses in fiscal 1987 are mainly in the areas of computer processing and printing. Both these costs are associated with the legislative session.

NORTHWEST REGIONAL POWER ACT

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	7.37	7.00	6.00	6.00	14.3
Personal Service	\$168,919	\$226,981	\$207,246	\$207,716	4.8
Operating Expense	139,552	185,019	144,387	144,387	(11.0)
Equipment	849	-0-	849	849	100.0
Inflation	<u>-0-</u>	<u>-0-</u>	<u>8,134</u>	<u>13,827</u>	--
Total Expenditures	<u>\$309,320</u>	<u>\$412,000</u>	<u>\$360,616</u>	<u>\$366,779</u>	<u>0.8</u>
<u>Fund Sources</u>					
Federal Revenue	<u>\$309,320</u>	<u>\$412,000</u>	<u>\$360,616</u>	<u>\$366,779</u>	<u>0.8</u>

The Pacific Northwest Electric Power and Conservation Planning Council (referred to as the Northwest Power Planning Council) was created on April 28, 1981, pursuant to the Pacific Northwest Electric Power Planning and Conservation Act of 1980. The council conducts regional electrical energy planning, directs fish and wildlife restoration in the Columbia River Basin, and reviews actions taken by the Bonneville Power Administration. The council is a regional agency made up of eight members, two each from the Pacific Northwest states of Montana, Idaho, Oregon, and Washington. These members are appointed by governors of the four states and approved by the respective state legislatures. Funding is provided by the Bonneville Power Administration.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	7.00	7.37	(.37)
Personal Services	\$227,829	\$168,919	\$58,910
Operating Expenses	164,171	139,552	24,619
Equipment	-0-	849	(849)
Total Costs & Federal Revenue	<u>\$392,000</u>	<u>\$309,320</u>	<u>\$82,680</u>

Personal services expenditures were 25 percent less than budgeted and operating expenses were 15 percent less. In the area of personal services, the majority of the difference relates to two vacant economist positions, and one administrative aide position being vacant 39 percent of fiscal 1984. The difference in operating expenses was primarily not utilizing the amount of contract services budgeted. The .37 FTE was added to provide the correct accounting for legislative salaries earned during the meeting of an interim committee funded by the Northwest Power Planning Council.

Current Level Adjustments

Adjustments to personnel include the deletion of one economist IV position that was vacant for all of fiscal 1984. One economist IV position is retained at a grade 13 step 2. Adjustments to the operating base include an increase in the indirect cost rate \$8,346 to reflect a staff of six filled positions and minor reductions to the base totaling 2.7 percent of operating expenses. The majority of these reductions were made at the agency's request.

LIETENANT GOVERNOR'S OFFICE

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>---Current Level---</u>		<u>% Change</u> <u>1985-87</u> <u>Biennium</u>
	<u>Fiscal</u> <u>1984</u>	<u>Fiscal</u> <u>1985</u>	<u>Fiscal</u> <u>1986</u>	<u>Fiscal</u> <u>1987</u>	
F.T.E	6.00	6.00	6.00	6.00	0.00
Personal Service	\$162,402	\$170,426	\$175,954	\$176,188	5.8
Operating Expense	41,887	46,557	44,495	44,495	7.8
Equipment	4,646	-0-	-0-	-0-	(100.0)
Inflation	-0-	-0-	2,643	4,720	--
Total Expenditures	<u>\$208,935</u>	<u>\$216,983</u>	<u>\$223,092</u>	<u>\$225,403</u>	<u>6.8</u>
<u>Fund Sources</u>					
General Fund	<u>\$208,935</u>	<u>\$216,983</u>	<u>\$223,092</u>	<u>\$225,403</u>	<u>6.8</u>

The Lieutenant Governor's Office is responsible for carrying out duties prescribed in Article VI, Section 4, of the Montana Constitution. This office serves as the liaison between state and local governments, coordinates coal severance tax defense, and supervises the clearing house review process.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	6.00	6.00	0.00
Personal Services	\$170,811	\$162,402	\$8,409
Operating Expenses	44,495	41,887	2,608
Equipment	-0-	4,646	(4,646)
Total Costs & General Fund	<u>\$215,306</u>	<u>\$208,935</u>	<u>\$6,371</u>

The difference in personal services is mainly due to 1 FTE position being vacant in fiscal 1984. This position will be filled in fiscal 1985 and the person in it will be responsible for coordinating appropriate interaction among local government study commissions involved in the voter review process. This exempt position was targeted for deletion in the 10 percent general fund reduction memo. The equipment expenditure was for a personal computer.

Current Level Adjustments

The operating base has been increased to the fiscal 1984 appropriation level. This will cover expenses associated with the vacant FTE position that will be filled in fiscal 1986.

CITIZENS' ADVOCATE OFFICE

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	1.00	1.00	1.00	1.00	0.00
Personal Service	\$31,938	\$29,595	\$30,776	\$30,791	0.1
Operating Expense	14,009	30,677	13,943	13,943	(37.6)
Inflation	-0-	-0-	2,210	3,390	--
Total Expenditures	<u>\$45,947</u>	<u>\$60,272</u>	<u>\$46,929</u>	<u>\$48,124</u>	<u>(10.5)</u>
Fund Sources					
General Fund	<u>\$45,947</u>	<u>\$60,272</u>	<u>\$46,929</u>	<u>\$48,124</u>	<u>(10.5)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Recording Telephone Activity	N/A	N/A	N/A	N/A

The Citizens' Advocate Office exists to provide accessibility to state government for Montana citizens. The office provides information to citizens and acts as a referral service to state agencies. A toll free number is provided citizens for this purpose.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	1.00	1.00	0.00
Personal Services	\$29,601	\$31,938	\$(2,337)
Operating Expenses	<u>28,343</u>	<u>14,009</u>	<u>14,334</u>
Total Costs & General Fund	<u>\$57,944</u>	<u>\$45,947</u>	<u>\$11,997</u>

Personnel services were overexpended due to the office hiring a person to take over duties of the Citizen's Advocate in her absence. According to agency personnel, communication expenses were only half of what was anticipated because of the change over to the new telephone system.

Current Level Adjustments

A one-time phone charge of \$66 was removed from the on-going costs.

Issue 1: Recording Telephone Activity

At the present time, there is no way to determine how effective this office is at performing its tasks. In order to provide some measurement of quantifiable goals, the legislature may want to require the Citizen's Advocate Office to categorize the calls and the action taken on the calls.

Option a: Require record keeping of telephone calls.

Option b: Do not require record keeping of calls.

BOARD OF VISITORS

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>---Current Level---</u>		<u>% Change</u>
	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>1985-87</u>
	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Biennium</u>
F.T.E	1.50	1.50	1.50	1.50	0.00
Personal Service	\$38,498	\$37,230	\$42,489	\$42,507	12.2
Operating Expense	30,058	37,579	34,357	34,357	1.5
Equipment	136	-0-	-0-	-0-	(100.0)
Inflation	-0-	-0-	2,285	3,784	--
Total Expenditures	<u>\$68,692</u>	<u>\$74,809</u>	<u>\$79,131</u>	<u>\$80,648</u>	<u>11.3</u>
<u>Fund Sources</u>					
General Fund	<u>\$68,692</u>	<u>\$74,809</u>	<u>\$79,131</u>	<u>\$80,648</u>	<u>11.3</u>

<u>ISSUE: Cost (Savings)</u>	<u>-----Fiscal 1986-----</u>		<u>-----Fiscal 1987-----</u>	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Fund</u>
1. Transfer of Legal Services Program				
Option a:	\$46,305	-0-	\$46,323	-0-
Option b:	\$39,253	-0-	\$41,216	-0-

The Board of Visitors is a five-member board which is charged with the responsibility of monitoring the condition and activities of various state mental health facilities. Section 2-15-211, MCA, outlines the composition of the five-member board. The statute states that the board shall consist of a consumer representing the developmentally disabled, a consumer representing the mentally ill, and professionals representing, but not limited to, the behavioral sciences or doctors of medicine.

The board consists of an administrative officer and a .5 FTE paralegal assistant I.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	1.50	1.50	0.00
Personal Services	\$37,306	\$38,498	\$(1,192)
Operating Expenses	36,870	30,058	6,812
Equipment	1,050	136	914
Total Costs & General Fund	<u>\$75,226</u>	<u>\$68,692</u>	<u>\$ 6,534</u>

The difference in personal services is due to an upgrade of the administrative officer. Operating expenses were less than the legislature anticipated because all sites were not visited and one board member could not attend site visits in fiscal 1984. The following table lists state visits and visit costs for fiscal 1984 and visits planned through fiscal 1987.

Table 1
Board of Visitors Cost for Sites Visited in Fiscal 1984 and
Planned Visits in Fiscal 1985, 1986 and 1987

	<u>Cost</u>	<u>-----Planned Visits-----</u>		
	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>
Region I Mental Health Center	\$ 2,868		X	X
Region II Mental Health Center	2,062		X	
Region III Mental Health Center	3,265		X	
Region IV Mental Health Center	1,764		X	X
Region V Mental Health		X		X
Eastmont Human Services Center	3,847	X		X
Center for the Aged	3,809	X	X	X
Boulder River School and Hospital		X	X	
Montana State Hospital		X		X
Montana Youth Treatment Center		X	X	X
Annual Meeting and Board Meeting	<u>3,100</u>	X		
Total Cost	<u>\$20,715</u>			

Current Level Adjustments

Operating expenses are increased \$4,299. This will provide funds so all planned site visits may be done.

Issue 1: Transfer of Legal Services Program

The Governor's Office intends to transfer the Legal Services Program from the Department of Institutions to the Board of Visitors. The increase associated with this transfer would be \$46,305 in fiscal 1986 and \$46,323 in fiscal 1987. This program had been performed on a contract basis in prior years. In fiscal 1984, the contract expenditures were \$36,118. This program provides legal services as required by statute for eligible residents of the Montana State Hospital and the Boulder River School and Hospital.

Option a: Fund at a cost of \$46,305 in fiscal 1986 and \$46,323 in fiscal 1987.

Option b: Have the Board of Visitors contract for services at a cost of \$39,253 in fiscal 1986 and \$41,216 in fiscal 1987.

SECRETARY OF STATE

	<u>FTE</u> <u>FY '87</u>	- - - - 1987 Biennium - - - - <u>General Fund</u>	<u>Total Funds</u>
Executive Budget	29.5	\$1,811,559	\$2,128,778
LFA Current Level	<u>28.0</u>	<u>1,780,439</u>	<u>2,064,282</u>
Executive Over (Under) LFA	<u><u>1.5</u></u>	<u><u>\$ 31,120</u></u>	<u><u>\$ 64,496</u></u>

The executive budget is \$64,496 above LFA current level. The difference in funding is due primarily to the deletion of .5 FTE by the executive in contrast to the deletion of 2 FTE in the LFA current level analysis.

RECORDS MANAGEMENT

Issue 1: FTE Level

The current level analysis has a .5 FTE less than the executive budget. This .5 FTE costs approximately \$21,000 over the 1987 biennium. The position, a corporate documents specialist, was vacant during all of fiscal 1984.

ADMINISTRATIVE CODES PROGRAM

Issue 2: FTE Level

The current level analysis has 1 FTE less than the executive budget. This 1 FTE was continued in the Administrative Code Program by the 1983 legislature to finish the indexing of the Administrative Rules. This 1 FTE cost approximately \$38,000 over the 1987 biennium. The executive budget funds this position from the Administrative Rules Proprietary Fund.

SECRETARY OF STATE

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	30.00	30.00	28.00	28.00	(6.6)
Personal Service	\$ 570,176	\$ 619,515	\$ 593,266	\$ 593,754	.2
Operating Expense	417,498	465,807	353,100	381,508	(16.8)
Equipment	16,802	-0-	1,800	1,796	(78.5)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>12,984</u>	<u>22,866</u>	--
Total Operating Costs	\$1,004,476	\$1,085,322	\$ 961,150	\$ 999,924	(6.1)
Non-Operating Costs	<u>70,220</u>	<u>-0-</u>	<u>51,600</u>	<u>51,600</u>	<u>46.9</u>
Total Expenditures	<u>\$1,074,696</u>	<u>\$1,085,322</u>	<u>\$1,012,750</u>	<u>\$1,051,524</u>	<u>(4.4)</u>
Fund Sources					
General Fund	\$ 901,609	\$ 872,397	\$ 871,239	\$ 909,192	.3
State Special	<u>173,087</u>	<u>212,925</u>	<u>141,511</u>	<u>142,332</u>	<u>(26.4)</u>
Total Funds	<u>\$1,074,696</u>	<u>\$1,085,322</u>	<u>\$1,012,750</u>	<u>\$1,051,524</u>	<u>(4.4)</u>

The Office of the Secretary of State was established by Article VI, Section 1, of the Montana Constitution and its duties are set forth in Title 2, Part 4, of the Montana Code Annotated (MCA). It is primarily a record keeping office which files, maintains, and preserves the permanent records of the state and certain public interest records of private citizens. The office also publishes the Montana Administrative Register (MAR) and the Administrative Rules of Montana (ARM).

Current level has a reduction of 1 FTE in the Records Management Program due to that position being vacant all of fiscal 1984 and 1 FTE in the Administrative Code Program due to the completion of the Administrative Rules indexing project. The majority of the reductions in operating expenses are in the Records Management Program and relate to the completion of the automation of the Corporate System.

RECORDS MANAGEMENT PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	26.50	26.50	25.50	25.50	(3.7)
Personal Service	\$479,631	\$530,520	\$529,747	\$530,282	4.9
Operating Expense	345,937	281,927	279,901	310,809	(5.9)
Equipment	14,463	-0-	1,800	1,796	(75.1)
Inflation	-0-	-0-	8,191	14,705	--
Total Expenditures	<u>\$840,031</u>	<u>\$812,447</u>	<u>\$819,639</u>	<u>\$857,592</u>	<u>1.5</u>
Fund Sources					
General Fund	\$831,389	\$801,447	\$819,639	\$857,592	2.7
State Special	<u>8,642</u>	<u>11,000</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$840,031</u>	<u>\$812,447</u>	<u>\$819,639</u>	<u>\$857,592</u>	<u>1.5</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Microfilm Project	\$199,132	-0-	\$111,812	-0-

The Records Management Program provides statutorily required services relating to elections, filing of corporate records, and custodianship of the state's official documents.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	26.50	26.50	0.00
Personal Services	\$533,358	\$479,631	\$ 53,727
Operating Expenses	277,145	345,937	(68,792)
Equipment	-0-	14,463	(14,463)
Total Expenditures	<u>\$810,503</u>	<u>\$840,031</u>	<u>\$(29,528)</u>
Funding			
General Fund	\$799,503	\$831,389	\$(31,886)
Other	<u>11,000</u>	<u>8,642</u>	<u>2,358</u>
Total Funds	<u>\$810,503</u>	<u>\$840,031</u>	<u>\$(29,528)</u>

Personal services show a difference of \$53,727. The difference is primarily due to a corporate documents position, a .25 clerk officer II position, and a .50 clerk administrative position being vacant all of fiscal 1984. A .75 FTE position was vacant, 74 percent of fiscal 1984.

The majority of the operating expense difference between anticipated expenditures and actual expenditures relates to contract services. Contract services cost more than \$70,000 above the expected level. The agency represented that this overexpenditure was due to the estimated cost supplied by the Department of Administration being more than the actual cost for the automation of the Universal Commercial Code System. The Secretary of State transferred \$38,000 from fiscal 1985 to cover the fiscal 1984 overexpenditure. A supplemental will be requested in the 1985 session. Equipment was overexpended as word processing terminals that were being leased were purchased; however, rent, the category containing lease expenditures, was underspent by approximately \$15,600. Other funds appropriated were fees anticipated for reapportionment maps.

Current Level Adjustments

One FTE, a corporate documents position, grade 12, was deleted. This position had been vacant all of fiscal 1984. At the agency's request, the following operating costs were reduced: systems development--\$55,150; computer processing--\$3,819; secretarial services--\$2,910; printing--\$3,578; office relocation--\$7,048; legal fees--\$2,037; and other expenses--\$10,740. Anticipated expenditures were increased for audit fees of \$7,500 in fiscal 1986 and other minor adjustments of \$2,692. In fiscal 1987, printing costs increase \$9,054 for the election laws and corporate reports and the voter information pamphlet which is estimated to cost \$42,449.

Issue 1: Microfilm Project

The Secretary of State has requested funding for the microfilming of corporations and UCC records. The Secretary of State's Office maintains records on over 72,000 domestic and 27,000 foreign corporations. The Secretary of State estimates that his office receives inquiries on corporations' records at the rate of 100 to 125 telephone calls per day and 25 to 50 mail inquiries per week. About 80 percent of the information will be available from the automated system. The other 20 percent, however, is currently contained in manual documents.

A total of 130,000 records related to the UCC are currently stored in card

files that contain information regarding collateral and commercial liens on property located in Montana. Of these, 70,000 are currently active and require access at an average of 2,400 inquiries per month. As with corporations, most of this information will be available from the automated system, but detailed inquiries will require access to the complete file.

The Secretary of State cites the advantages of the project as security of the documents and a marginal increase in efficiency. The Secretary of State requests funding for an additional 2 FTE and \$199,132 of general fund money in fiscal 1986 and 1 FTE and \$111,812 in fiscal 1987.

Option a: Fund the request at \$199,132 in fiscal 1986 and \$111,812 in fiscal 1987.

Option b: Do not fund the request.

ADMINISTRATIVE CODE PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	3.50	3.50	2.50	2.50	0.00
Personal Service	\$ 90,545	\$ 88,995	\$ 63,519	\$ 63,472	(29.2)
Operating Expense	71,561	111,378	73,199	70,699	(41.3)
Equipment	2,339	-0-	-0-	-0-	(100.0)
Inflation	-0-	-0-	4,793	8,161	--
Total Operating Costs	\$164,445	\$200,373	\$141,519	\$142,340	(22.2)
Non-Operating Costs	70,220	72,502	51,608	51,608	(27.7)
Total Expenditures	<u>\$234,665</u>	<u>\$272,875</u>	<u>\$193,119</u>	<u>\$193,940</u>	<u>(23.7)</u>
Fund Sources					
General Fund	\$ 70,220	\$ 70,950	\$ 51,608	\$ 51,701	(26.8)
State Special	<u>164,445</u>	<u>201,925</u>	<u>141,511</u>	<u>142,239</u>	<u>(22.5)</u>
Total Funds	<u>\$234,665</u>	<u>\$272,875</u>	<u>\$193,119</u>	<u>\$193,940</u>	<u>(23.7)</u>
-----Fiscal 1986-----					
-----Fiscal 1987-----					
ISSUE: Cost (Savings)	General Fund	Other Funds	General Fund	Other Funds	
1. Price of Documents	\$(51,600)	-0-	\$(51,600)	-0-	

The Administrative Code Program is responsible for filing, publishing, and distributing Administrative Rules of Montana developed for the operation of state agencies.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	3.50	3.50	3.50
Personal Services	\$ 89,178	\$ 90,545	\$(1,367)
Operating Expenses	114,153	71,561	42,592
Equipment	<u>-0-</u>	<u>2,339</u>	<u>(2,339)</u>
Total Operating Costs	\$203,331	\$164,445	\$38,886
Non-Operating Costs	<u>70,908</u>	<u>70,220</u>	<u>688</u>
Total Expenditures	<u>\$274,239</u>	<u>\$234,665</u>	<u>\$39,574</u>
<u>Funding</u>			
General Fund	\$ 70,908	\$ 70,220	\$ 688
State Special Fund	<u>203,331</u>	<u>164,445</u>	<u>38,886</u>
Total Funds	<u>\$274,239</u>	<u>\$234,665</u>	<u>\$39,574</u>

According to agency personnel, the majority of the difference in the table relates to the Administrative Rules of Montana index being finished earlier and at lower cost than expected. Non-operating costs are costs associated with the distribution of the Administrative Rules of Montana and the Montana Administrative Register (MAR). These publications are given to state agencies and are paid for through a general fund transfer into the state special revenue fund.

Current Level Adjustments

One FTE is deleted as this position was continued in the program's budget by the 1983 legislature to finish the indexing of the Administrative Rules.

Operating expense reductions include the removal of one-time telephone expenditures of \$412 and one-time moving costs of \$1,244. Other minor adjustments total \$106. Operating expense increases were minor adjustments of \$900 and audit fees of \$2,500.

Issue 1: Price of Documents

The following table shows the prices of administrative documents in fiscal 1981 and fiscal 1984 and the percentage change.

Table 1
Prices of Administrative Documents

<u>Administrative Document</u>	<u>FY 81</u>	<u>FY 84</u>	<u>Percent Change</u>
Set of Administrative Rules	\$350.00	\$350.00	-0-
Updates of Administrative Rules	100.00	150.00	50.00
Page of Rule Changes	13.50	\$30.00	122.00
Montana Administrative Register	170.00	225.00	32.35

During the last session, the Secretary of State's Office estimated that revenue from the sale of administrative documents would be \$79,590. The increased price generated \$126,815. These revenues are deposited into the administrative rules account. The following table indicates the fund balances of that account using agency revenue estimates and current level expenditures for fiscal 1986 and fiscal 1987.

Table 2
Administrative Rules Account Balance
FY 84 - FY 87

	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>
Beginning Fund Balance	\$ 15,948	\$ 43,496	\$ 21,671	\$ 59,760
Revenue				
Administrative Documents	\$126,815	\$127,000	\$127,000	\$127,000
General Fund Transfer	70,220	51,600*	51,600	51,600
Other Additions	3,599	1,500	1,000	1,000
Total Funds Available	\$216,582	\$223,596	\$201,271	\$239,360
Total Deductions	173,086	201,925	141,511	142,239
Ending Fund Balance	<u>\$ 43,496</u>	<u>\$ 21,671</u>	<u>\$ 59,760</u>	<u>\$ 97,121</u>

¹The general fund appropriation is \$72,502.

The table indicates that the fund balance will increase steadily from fiscal 1985 through fiscal 1987. In view of this increase, the legislature may want to

consider a different rate structure than that in use by the Secretary of State.

Option a: Revise the current rate structure.

Option b: Keep the rate structure and do not transfer general funds to the Administrative Rules Account. This will save \$51,600 of general fund each year of the 1987 biennium.

COMMISSIONER OF POLITICAL PRACTICES

	FTE <u>FY '87</u>	- - - - 1987 Biennium - - - - <u>General Fund</u>	<u>Total Funds</u>
Executive Budget	5.0	\$288,349	\$290,349
LFA Current Level	<u>5.0</u>	<u>295,116</u>	<u>297,400</u>
Executive Over (Under) LFA	<u>0.0</u>	<u>\$(6,767)</u>	<u>\$(7,051)</u>

The executive budget is \$7,051 below LFA current level. The difference in total funds is primarily due to vacancy savings. Vacancy savings was taken in the executive budget, but not in the current level analysis.

COMMISSIONER OF POLITICAL PRACTICES

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	5.00	5.00	5.00	5.00	0.00
Personal Service	\$124,866	\$122,872	\$130,555	\$130,717	5.4
Operating Expense	15,919	18,153	20,031	13,952	(0.2)
Equipment	195	-0-	195	-0-	(0.0)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>666</u>	<u>1,284</u>	<u>--</u>
Total Expenditures	<u>\$140,980</u>	<u>\$141,025</u>	<u>\$151,447</u>	<u>\$145,953</u>	<u>5.4</u>
Fund Sources					
General Fund	\$140,804	\$140,275	\$150,163	\$144,953	4.9
State Special	<u>176</u>	<u>750</u>	<u>1,284</u>	<u>1,000</u>	<u>146.6</u>
Total Funds	<u>\$140,980</u>	<u>\$141,025</u>	<u>\$151,447</u>	<u>\$145,953</u>	<u>5.4</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Accountant	\$(27,209)	-0-	\$(27,222)	-0-
2. Attorney				
Option a:	\$(32,342)	-0-	\$(32,464)	-0-
Option b:	\$(24,342)	-0-	\$(24,464)	-0-

The purpose of the Commissioner of Political Practices Office is to establish consistent requirements for the full disclosure and reporting of the source and disposition of funds used in Montana to support or oppose state and local candidates, political committees, or political issues. The commissioner's office is also responsible for enforcing the election and campaign finance laws and the provisions of the Montana Lobbyist Disclosure Act. In addition, the commissioner is responsible for publishing and disseminating a number of election related reports, forms, and manuals as indicated in Title 13, Chapter 37, MCA.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. The table indicates the difference between what the legislature appropriated and how the agency actually spent its funds. The large difference in the area of operating expenses is due to audit fees of \$4,000 not being expended, reports not being printed, and only 21 percent of the funds appropriated for travel to audit and provide educational

seminars to political candidates being expended. No field audits were conducted in fiscal 1984. Once in fiscal 1984, the accountant went with the Secretary of State's Office to speak at a meeting. The agency considered this meeting an educational seminar.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	5.00	5.00	0.00
Personal Services	\$123,696	\$124,866	\$(1,170)
Operating Expenses	24,891	15,919	8,972
Equipment	200	195	5
Total Operating Costs	<u>\$148,787</u>	<u>\$140,980</u>	<u>\$ 7,807</u>
<u>Funding</u>			
General Fund	\$148,037	\$140,804	\$ 7,233
Proprietary Fund	750	176	574
Total Funds	<u>\$148,787</u>	<u>\$140,980</u>	<u>\$ 7,807</u>

Current Level Adjustments

A current level adjustment is made in the area of printing. In fiscal 1986, the commissioner will be printing the Administrative Regulations at a cost of \$1,789 and the summary of contributions/expenditures report authorized by 13-37-111, MCA, at a cost of \$1,236. These reports were not printed in fiscal 1984. These reports are not in the budget for fiscal 1987. Minor reductions in the base total \$593. Audit fees of \$1,680 have been included in the fiscal 1986 budget.

Issue 1: Accountant

When the commissioner's office was originally created, it was with the purpose of establishing clear and consistent requirements for the full disclosure and reporting of the sources and disposition of funds used in Montana to support or oppose candidates, political committees, or issues, and to clarify the authority to enforce election and campaign finance laws. The original purpose of this office has been accomplished. The goal is now one of monitoring the requirements.

To monitor the compliance with its requirements, the commissioner has two administrative FTE to conduct desk auditing, field audits and seminars and 1 FTE attorney to enforce compliance with election laws. There is also one administrative aide.

In 1981, the second administrative FTE position (the legislature added an accountant) was added to the commissioner's staff. This position was added as an

alternative to paying consultants costing \$9,400 per year and to allow staff to conduct field audits in addition to the desk audits. For the 1985 biennium, travel was increased by 200 percent or \$1,400 in fiscal 1984 and \$2,347 in fiscal 1985 to allow for increased travel to conduct field audits and educational seminars for political candidates and committees. According to a legislative audit issued in November 1983, field audits have not been conducted since 1981. Because field audits have not been conducted since 1981 and the original purpose of funding for this position was to do field audits the legislature may want to eliminate funding for this position.

Option a: Eliminate an administrative position at a general fund savings of \$27,209 in fiscal 1986 and \$27,222 in fiscal 1987.

Issue 2: Attorney

The attorney is responsible for acting on behalf of the office during legal disputes and to answer legal inquiries concerning campaign finance and lobbyist disclosure laws. The attorney also acts as the chief investigative officer and, along with the commissioner, decides what action should be reported.

Since 1981, there have been no orders of non-compliance issued and no cases involving criminal violations of Title 13, Chapters 35, 36, 37, MCA, election laws. Because of the absence of legal related activity at the commissioner's office and because the authority to prosecute violations of Chapters 35, 36 or 37, of Title 13, MCA, is vested in county attorneys as well as the commissioner's attorney, the legislature may want to consider the following options.

Option a: Eliminate the attorney's position.

Option b: Eliminate the attorney's position and allow \$8,000 to contract for necessary legal services at a general fund savings of \$24,342 in fiscal 1986 and \$24,464 in fiscal 1987.

DEPARTMENT OF STATE AUDITOR

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	59.00	\$3,907,161	\$28,316,195
LFA Current Level	58.00	3,391,533	4,009,533
Executive Over (Under) LFA	<u>1.00</u>	<u>\$ 515,628</u>	<u>\$24,306,662</u>

The executive budget is \$24,306,662 above LFA current level. The difference is due primarily to the executive budget including \$14,737,034 of non-state funds which the state merely collects and distributes on behalf of the police and firemen's retirement funds, and \$9,072,000 from the Forest Service, which the state likewise merely collects and distributes to the counties under a formula established by law. The total fund difference without retirement and Forest Service monies is \$497,628.

Issue 1: Program Modification Costs

The executive budget has included \$400,000 for systems development projects in the 1987 biennium. The LFA current level analysis does not include the \$400,000 and has presented system development as Issue 1 in the analysis for the Central Payroll Program.

INVESTMENT REGULATION AND LICENSING

Issue 2: FTE Levels

Current level has deleted 1 FTE position totaling \$44,274 for the biennium. This position, a securities investment examiner, was vacant all of fiscal 1984.

STATE AUDITOR'S OFFICE

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	59.00	59.00	58.00	58.00	(1.7)
Personal Service	\$1,255,449	\$1,274,507	\$1,288,839	\$1,290,473	1.9
Operating Expense	932,131	1,010,287	705,317	667,518	(29.3)
Equipment	11,271	2,119	2,400	1,650	(69.7)
Inflation	-0-	-0-	18,926	34,410	--
Total Expenditures	<u>\$2,198,851</u>	<u>\$2,286,913</u>	<u>\$2,015,482</u>	<u>\$1,994,051</u>	<u>(10.6)</u>
<u>Fund Sources</u>					
General Fund	\$1,965,524	\$2,058,509	\$1,694,482	\$1,697,051	(15.7)
State Special	<u>233,327</u>	<u>228,404</u>	<u>321,000</u>	<u>297,000</u>	<u>33.8</u>
Total Funds	<u>\$2,198,851</u>	<u>\$2,286,913</u>	<u>\$2,015,482</u>	<u>\$1,994,051</u>	<u>(10.6)</u>

The Office of the State Auditor, established by Article VI, Section 1 of the Montana Constitution, has statutory duties to superintend the fiscal concerns of the state, suggest plans for improvement and management of public revenues, keep an accounting system of all state funds, and pay into the state treasury all funds and fees received. The state auditor is both ex-officio commissioner of insurance and ex-officio securities commissioner. He is charged with the duty of licensing and regulating insurance companies and agents within the state. The state auditor is also assigned the responsibility of regulating and registering issuers, broker-dealers, and investment advisors, and licensing all securities salesmen. The auditor is the director of the central payroll system which is responsible for paying state employees.

The Office of the State Auditor is divided into five divisions: the Fiscal Management and Control Division; the Central Payroll Division; the Administrative Support Program; the Insurance Regulation and License Program; and the Investment Regulation and License Program.

Costs decrease as 1 FTE is deleted, data processing costs are less than appropriated in fiscal 1984 and 1985, and system development costs are eliminated in the 1987 biennium.

The state special revenue fund increases in fiscal 1986 to utilize part of the fund balance. In fiscal 1987, the state special revenue fund spending authority level is almost equal to the expected revenue.

FISCAL MANAGEMENT AND CONTROL PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	11.00	11.00	11.00	11.00	0.00
Personal Service	\$201,501	\$197,205	\$202,289	\$202,476	1.5
Operating Expense	144,914	171,767	146,789	140,489	(9.2)
Equipment	-0-	-0-	-0-	-0-	0.0
Inflation	-0-	-0-	8,006	14,017	--
Total Expenditures	<u>\$346,415</u>	<u>\$368,972</u>	<u>\$357,084</u>	<u>\$356,982</u>	<u>(0.2)</u>
Fund Sources					
General Fund	<u>\$346,415</u>	<u>\$368,972</u>	<u>\$357,084</u>	<u>\$356,982</u>	<u>(0.2)</u>

The Fiscal Management and Control Program is responsible for preparing and mailing state warrants and for depositing all monies received by the state auditor.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	11.00	11.00	0.00
Personal Services	\$197,481	\$201,501	\$(4,020)
Operating Expenses	166,593	144,914	21,679
Equipment	<u>26,000</u>	<u>-0-</u>	<u>26,000</u>
Total Costs & General Fund	<u>\$390,074</u>	<u>\$346,415</u>	<u>\$43,659</u>

The difference in operating expenses in the above table is mainly in the area of supplies and materials as fewer warrants and envelopes were purchased than anticipated. An equipment line-item of \$26,000 was to purchase equipment used in preparing state warrants. This appropriation was to be used only if the existing equipment failed and could not reasonably be paid. The funds were not spent.

Current Level Adjustments

Operating expenses increase by approximately 1.2 percent from fiscal 1984 to fiscal 1986. Audit fees increase from \$4,821 in fiscal 1984 to \$6,300 in fiscal 1986.

CENTRAL PAYROLL DIVISION

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	9.00	9.00	9.00	9.00	0.00
Personal Service	\$196,177	\$194,881	\$201,985	\$202,484	3.4
Operating Expense	590,475	570,517	352,707	338,007	(40.5)
Equipment	3,890	-0-	750	-0-	(80.7)
Inflation	-0-	-0-	1,330	3,156	--
Total Expenditures	<u>\$790,542</u>	<u>\$765,398</u>	<u>\$556,772</u>	<u>\$543,647</u>	<u>(29.2)</u>
<u>Fund Sources</u>					
General Fund	\$557,215	\$536,994	\$235,772	\$246,647	(55.9)
State Special	<u>233,327</u>	<u>228,404</u>	<u>321,000</u>	<u>297,000</u>	<u>33.8</u>
Total Funds	<u>\$790,542</u>	<u>\$765,398</u>	<u>\$556,772</u>	<u>\$543,647</u>	<u>(29.2)</u>
-----Fiscal 1986-----					
-----Fiscal 1987-----					
<u>ISSUE: Cost (Savings)</u>	<u>General Fund</u>		<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Program Modification Costs	N/A		N/A	N/A	N/A
2. Accrual Language	N/A		N/A	N/A	N/A

The Central Payroll Division is responsible for preparing and delivering payroll documents for all state agencies. The division has acquired responsibility for maintaining the data base for the Payroll/Personnel/Position Control System (PPP), which is an integrated data base system incorporating all the requirements and data elements of three systems--payroll, personnel, and position control.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. In operating expenses, the major difference between anticipated and actual expenditures was not fully utilizing contract services.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	9.00	9.00	0.00
Personal Services	\$195,165	\$196,177	\$(1,012)
Operating Expenses	635,765	590,475	45,290
Equipment	4,778	3,890	888
Total Expenditures	<u>\$835,708</u>	<u>\$790,542</u>	<u>\$45,166</u>
<u>Funding</u>			
General Fund	\$585,881	\$557,215	\$28,666
State Special Revenue	249,827	233,327	16,500
Total Funds	<u>\$835,708</u>	<u>\$790,542</u>	<u>\$45,166</u>

Current Level Adjustments

The net reduction in operating expenses is \$237,768. Major decreases from fiscal 1984 occur in the area of systems development and computer processing of \$243,276. The program accrued \$200,000 at the end of fiscal 1984 for program development of various systems for PPP. That \$200,000 plus \$43,277 of actual development costs in fiscal 1984 were deleted. Minor changes increase costs by \$579. Audit fees increase from \$9,781 in fiscal 1984 to \$14,700 in fiscal 1986.

Issue 1: Program Modification Costs

The following table shows the PPP programs the 1983 legislature authorized for modification during the 1985 biennium.

Table 1
PPP Systems Modifications - 1985 Biennium

<u>Program</u>	<u>Cost</u>
Program Responsibility Cost by Position	\$ 6,000
Program Position Cost by Center	6,000
Agency Frequency Report	3,500
*Vacant Position Report	3,500
*Modified Budget Cross-Reference	2,500
Turnover Summary	4,000
*Investigate Direct Billing of PPP Costs	16,500
Applicant Flow	10,000
*Non-State Work Experience	5,000
Bulk Capture of Personnel Data	7,000
Total	<u>\$64,000</u>

*Indicates system dropped and not developed.

Documentation from division personnel indicate that \$60,000 of the above costs were not spent. Another \$140,000 in cost savings resulted as operating costs associated with those projects in Table 1 and the cost of running the PPP System were less than anticipated.

On June 20, 1984, central payroll signed a service agreement for \$200,000 with the Systems Development Bureau (SDB) to enhance the PPP System. In part the agreement states:

The type of services or equipment to be provided within the scope of this agreement may include:

- . SDB assistance in analysis and design, or review of system design specifications.
- . SDB assistance in system development (program coding, etc.) or revision of all or part of the program and other technical specifications.
- . Computer time necessary to design, develop, test and implement the system.
- . Computer hardware, or other equipment necessary to operate the computer system.

The level of utilization of ISD resources is variable and at the discretion of the Central Payroll Division and the Personnel Division as part of the contract states:

Before any services are performed, this agreement will be amended to identify the specific terms, conditions, responsibilities and products for each enhancement project.

This agreement is subject to cancellation by the Central Payroll Division and the Personnel Division at any time as the contract further states:

This agreement is subject to cancellation by the Central Payroll Division and the Personnel Division at any time.

NOTE 1: Before any services are performed, this agreement will be amended to identify the specific terms conditions, responsibilities and products for each enhancement project.

Table 2 shows the modification contemplated to be accomplished with the \$200,000 accrual.

Table 2
Contemplated Modifications to PPP System for the \$200,000 Accrual

<u>Description</u>	<u>SDB Time</u>	<u>Computer Time</u>	<u>Total</u>
Applicant Flow	\$ 34,000	\$20,000	\$ 54,000
*Training Reorganization	34,000	20,000	54,000
Personnel Turnaround	13,000	7,000	20,000
*EEO Function Code Change	7,200	3,800	11,000
*Turnover Summary	6,200	2,800	9,000
*Ads/a Security Structure	34,000	18,000	52,000
	<u>\$128,400</u>	<u>\$71,600</u>	<u>\$200,000</u>

*Indicates new projects.

In comparison to Table 1, the applicant flow project will cost \$54,000 versus the \$10,000 and the turnover summary will cost \$9,000 versus the \$4,000 originally stated to the 1983 legislature.

The issues are: (1) Why aren't four of the PPP system modifications presented to the 1983 session being completed? (2) Why has the cost increased significantly for the applicant flow and turnover summary modifications? (3) Why are other costly enhancements being made without consulting the legislature? (4) What is the cost of supporting these enhancements in future years?

Option a: Require the Auditor's Office to cancel all modifications not presented to the 1983 legislature and which can not be supported with the current level data processing charges.

Option b: Allow the projects to be completed and fund any additional data processing costs. Department personnel have not yet developed annual operating costs for the systems.

Issue 2: Valid Accruals

In Chapter 2-1400 of the Management Operations Manual, the statutory basis for accruing expenditures is stated as follows:

Section 17-8-202, M.C.A., provides that the Department of Administration "...may establish procedures necessary to ensure that expenditures are made and accounted for in accordance with the budget plan authorized by the legislature in the enactment of the appropriations, including but not limited to procedures to accrue

expenses incurred in one fiscal year and paid in a subsequent fiscal period...."(emphasis added)

Section 17-7-302, M.C.A., provides that "Any valid obligation not paid within the fiscal year, including valid written inter-agency or intra-agency service agreements for systems development, shall be encumbered for payment thereof at the end of each fiscal year ... An appropriation shall be deemed to be encumbered at the time and to the extent that a valid obligation against the appropriation is created, except construction contracts which, upon approval of the department of administration, may be encumbered for only that portion of the contract for which services or materials have been received by the fiscal year's end".

Considering the vagueness of the contract with systems development and the ability to cancel the project at any time, there does not appear to be any firm commitment of money. Also, there is very little of the accrual which corresponds to the plan for systems modifications as appropriated by the legislature. Does the legislature need to strengthen the requirement for defining a specific service which was included in the agency appropriation before accruing money for SDB projects?

Option a: Strengthen the legal requirements for accruing funds at fiscal year end for systems development so that the project must be specifically identified and have been presented to and approved by the legislature at a cost which is equal to or lower than the cost presented to the legislature.

Option b: Do not change the law.

ADMINISTRATIVE SUPPORT PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	8.00	8.00	8.00	8.00	0.00
Personal Service	\$192,954	\$186,509	\$192,400	\$192,527	1.4
Operating Expense	32,073	42,713	46,691	29,891	2.4
Equipment	3,875	1,156	-0-	-0-	(100.0)
Inflation	-0-	-0-	2,120	3,622	--
Total Expenditures	<u>\$228,902</u>	<u>\$230,378</u>	<u>\$241,211</u>	<u>\$226,040</u>	<u>1.7</u>
<u>Fund Sources</u>					
General Fund	<u>\$228,902</u>	<u>\$230,378</u>	<u>\$241,211</u>	<u>\$226,040</u>	<u>1.7</u>

The Administrative Support Program of the State Auditor's Office handles personnel, payroll, accounting, and budgeting functions for the agency.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	8.00	8.00	0.00
Personal Services	\$186,782	\$192,954	\$(6,172)
Operating Expenses	60,653	32,073	28,580
Equipment	1,075	3,875	(2,800)
Total Cost & General Fund	<u>\$248,510</u>	<u>\$228,902</u>	<u>\$19,608</u>

The major difference in operating expenses is that only \$3,606 of the biennial audit appropriation of \$20,000 were spent in fiscal 1984. Of the communications budget, \$11,490 or 40.8 percent was not utilized. A System 6 word processor not budgeted for was purchased from surplus property.

Current Level Adjustments

Bonds and insurance increase \$1,473 and audit fees increase from \$3,606 spent in fiscal 1984 to \$16,800 in fiscal 1986. Minor adjustments reduce the base by \$49.

INSURANCE REGULATION AND LICENSE PROGRAM

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>---Current Level---</u>		<u>% Change</u> <u>1985-87</u> <u>Biennium</u>
	<u>Fiscal</u> <u>1984</u>	<u>Fiscal</u> <u>1985</u>	<u>Fiscal</u> <u>1986</u>	<u>Fiscal</u> <u>1987</u>	
F.T.E	22.00	22.00	22.00	22.00	0.00
Personal Service	\$472,625	\$487,317	\$499,934	\$500,391	4.2
Operating Expense	129,439	176,887	122,759	122,759	(19.8)
Equipment	2,007	963	950	950	(36.0)
Inflation	-0-	-0-	5,359	9,936	--
Total Expenditures	<u>\$604,071</u>	<u>\$665,167</u>	<u>\$629,002</u>	<u>\$634,036</u>	<u>(0.4)</u>
<u>Fund Sources</u>					
General Fund	<u>\$604,071</u>	<u>\$665,167</u>	<u>\$629,002</u>	<u>\$634,036</u>	<u>(0.4)</u>

The Insurance Division is responsible for regulating activities related to the insurance industry in the state. The duties of the division include licensing of insurance agents, monitoring of trade practices and insurance rates, and the investigation of insurance-related consumer complaints. Section 33-30-105, MCA, requires the audit of non-profit health service organizations once every four years.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	22.00	22.00	0.00
Personal Services	\$488,026	\$472,625	\$15,401
Operating Expenses	158,789	129,439	29,350
Equipment	957	2,007	(1,050)
Total Costs & General Fund	<u>\$647,772</u>	<u>\$604,071</u>	<u>\$43,701</u>

The majority of the difference in operating expenses is caused by budgeted actuary fees of \$10,000 in fiscal 1984 not being expended, and only \$17,492 of budgeted audit fees of \$32,000 for conducting examinations of health service corporations being spent.

Current Level Adjustments

An increase over the 1984 base for legal fees \$2,315 is included in the budget bringing the total for legal fees to \$3,500. Costs associated with contract payments for the audit of Health Service Corporations and consultant fees and expenses for experts needed in actuarial rate reviews are reduced by \$8,373. Ten thousand dollars are in the current level budget for actuarial costs. Other decreases total \$622.

INVESTMENT REGULATION AND LICENSE PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	9.00	9.00	8.00	8.00	(11.1)
Personal Service	\$192,192	\$208,595	\$192,231	\$192,595	(3.9)
Operating Expense	35,230	48,403	36,371	36,372	(13.0)
Equipment	1,499	-0-	700	700	(6.6)
Inflation	-0-	-0-	2,111	3,679	--
Total Expenditures	<u>\$228,921</u>	<u>\$256,998</u>	<u>\$231,413</u>	<u>\$233,346</u>	<u>(4.3)</u>
Fund Sources					
General Fund	<u>\$228,921</u>	<u>\$256,998</u>	<u>\$231,413</u>	<u>\$233,346</u>	<u>(4.3)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Travel	\$6,000	-0-	\$6,000	-0-

The Securities Division is responsible for the administration of the Securities Act of Montana. The division carries out licensing, regulation, and enforcement duties related to securities and investments.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	9.00	9.00	0.00
Personal Services	\$208,581	\$192,192	\$16,389
Operating Expenses	45,243	35,230	10,013
Equipment	6,550	1,499	5,051
Total Costs & General Fund	<u>\$260,374</u>	<u>\$228,921</u>	<u>\$31,453</u>

The major difference in operating expenses is due to estimated consultant and legal fees being less than expected. In fiscal 1984 legal fees were budgeted at \$9,281. Only \$266 was expended. Rent of \$2,253 was not used as no hearings requiring rental meeting rooms were held in fiscal 1984.

Current Level Adjustments

One position, a securities investment examiner, vacant for 81 percent of fiscal 1984 and still vacant as of October 1984 has been deleted. Minor operating expense adjustments increase costs by \$1,141. Legal services are increased \$1,486 which reflects the agency's anticipated 1985 expenditures. Minor adjustments reduce the base by \$345 before inflation.

Issue 1: Travel

The Investment Regulation and Licensing Program's travel budget includes funds for investment regulation program personnel to attend meetings of the North American Securities Administration Association. The agency has requested a 50 percent or \$6,000 increase in its travel budget to continue its current level of participation in the meetings. The reason for the increase is that the NASAA which has previously reimbursed some costs of attending these meetings has indicated that this practice may be terminated or reduced. In view of this development the legislature may want to:

Option a: Increase funding to fully fund participation in the meetings. This would cost \$6,000 each year of the biennium.

Option b: Do not fund the request.

DEPARTMENT OF JUSTICE

		-----1987 Biennium-----	
	FTE		
	<u>FY '87</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	523.35	\$17,166,455	\$39,010,843
LFA Current Level	<u>523.35</u>	<u>17,670,332</u>	<u>38,083,669</u>
Executive Over (Under) LFA	<u>-0-</u>	<u>\$ (503,877)</u>	<u>\$ 927,174</u>

The executive budget is \$927,174 above the LFA Current level.

Issue 1: Indian Legal Jurisdiction

The executive budget contains a \$400,000 biennial appropriation for legal services and expert witness costs and \$62,232 for court fees and court reporters. The LFA budget contains a \$300,000 biennial appropriation for the above costs. The \$300,000 was the amount appropriated for the 1985 biennium. The department obtained supplemental funding from other programs to fund the overrun cost for fiscal 1984. The Attorney General is required to report to the legislature in January 1985 on how the fiscal 1984 appropriation was spent.

Issue 2: LENS Bureau Data Processing Fees

The executive budget contains a \$95,000 increase each year of the biennium for data processing fees to operate the LENS network. This increase was requested based on estimated increased use of the system. The LFA current level analysis presents the \$95,000 as an issue for the legislature to determine if they want to increase these costs with no strings attached and if additional service will result.

Issue 3: LENS Bureau Inflation

The LFA current level analysis contains \$34,002 in fiscal 1986 and \$61,583 in fiscal 1987 more in communications than the executive budget. This difference is due entirely to the different inflation factors used by the two offices.

Issue 4: Criminal Investigators Coal Board

The Criminal Investigation Coal Board Program was authorized 5 FTE for the 1985 biennium. In fiscal 1984, the program had 3.5 FTE employed and contracted for two additional agents for two-thirds of the year. The executive

budget maintains the authorized level of 5 FTE plus approximately \$50,000 each year of the biennium for two contract agents and their operating expenses. The current level analysis has only the 5 FTE.

Issue 5: Forensic Sciences Division-Equipment

The executive budget allows \$50,000 in fiscal 1986 and \$22,000 in fiscal 1987 for laboratory equipment over the LFA current level equipment funding. The request is based on the desire to replace equipment on a five-year replacement schedule. The LFA did not place the equipment in current level, pending review by the legislature of maintenance schedules and loss of production due to down time of the equipment.

Issue 6: Funding Motor Vehicle Account

The motor vehicle account has been accumulating funds in excess of its needs over the 1985 biennium and, if new license plates are not issued in the 1987 biennium, will accumulate in excess of \$1.6 million by the end of fiscal 1987. The LFA current level analysis retains the 1985 biennium funding ratios for the programs funded out of the motor vehicle account and other funding sources. The executive budget has replaced all general fund with motor vehicle funding in the LENS Bureau, the Law Enforcement Academy, and the Forensic Sciences Division for the 1987 biennium. The total general fund dollars replaced amount to \$3,182,840 for the 1987 biennium. The legislature should be aware that if the executive funding for the three divisions mentioned above is approved and the legislature authorizes new license plates in the 1987 biennium, the motor vehicle account will be approximately \$1.6 million short of the amount needed for new plates.

DEPARTMENT OF JUSTICE

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	525.10	523.35	523.35	523.35	(0.2)
Personal Service	\$13,108,844	\$13,003,985	\$13,445,038	\$13,494,384	3.1
Operating Expense	4,737,105	4,780,866	4,518,088	4,186,564	(8.5)
Equipment	1,188,132	876,655	909,916	957,605	(9.5)
Inflation	-0-	-0-	197,470	374,604	--
Total Expenditures	<u>\$19,034,081</u>	<u>\$18,661,506</u>	<u>\$19,070,512</u>	<u>\$19,013,157</u>	<u>1.0</u>
Fund Sources					
General Fund	\$ 8,991,637	\$ 9,059,920	\$ 8,834,731	\$ 8,835,601	(2.1)
State Special	9,317,179	9,027,301	9,650,026	9,589,734	4.8
Federal Revenue	347,249	208,803	186,307	187,943	(32.6)
Proprietary Fund	<u>378,016</u>	<u>365,482</u>	<u>399,448</u>	<u>399,879</u>	<u>7.5</u>
Total Funds	<u>\$19,034,081</u>	<u>\$18,661,506</u>	<u>\$19,070,512</u>	<u>\$19,013,157</u>	<u>1.0</u>
-----Fiscal 1986-----					
-----Fiscal 1987-----					
ISSUE: Cost (Savings)		General Fund	Other Funds	General Fund	Other Funds
1. Use Motor Vehicle Tax		N/A	N/A	N/A	N/A

The Department of Justice, under the direction of the Attorney General, is responsible for state law enforcement and public safety. The duties of the department include the following: (1) attend the Supreme Court; (2) exercise supervisory powers over county attorneys in all matters pertaining to the duties of their offices; (3) assist county attorneys in the discharge of their duties; (4) give legal opinions; (5) enforce Montana traffic laws and register all motor vehicles; and (6) enforce state fire safety codes and regulations.

The general fund shows a large decrease of 2.1 percent. This decrease is the result of a funding switch. Motor vehicle funds have been used to replace general fund in several programs. The following table shows the programs and the amounts.

Table 1
Motor Vehicle Account Cash flow Analysis

	Actual Fiscal 1984	Budgeted Fiscal 1985	- - Projected - - Fiscal 1986	Fiscal 1987
*Beginning Balance	\$ 931,548	\$1,423,226	\$1,648,654	\$1,600,000
Revenues	<u>3,399,886</u>	<u>3,307,500</u>	<u>3,330,500</u>	<u>3,334,250</u>
Total Available	<u>\$4,331,434</u>	<u>\$4,730,726</u>	<u>\$4,979,154</u>	<u>\$4,934,250</u>
Expenditures				
Prison	\$ 293,697	\$ 522,895	\$ 367,286	\$ 417,737
Vehicle Registration	1,905,784	2,031,378	1,940,125	1,958,237
Law Enforcement Academy	199,163	139,752	308,496	273,735
Law Enforcement Network	214,499	155,000	347,058	307,952
Forensic Science Division	199,090	139,477	308,496	273,735
Motor Vehicle Administration	93,126	93,570	104,123	102,854
Contract Services	<u>2,849</u>	<u>-0-</u>	<u>3,570</u>	<u>-0-</u>
Total Expenditures	<u>\$2,908,208</u>	<u>\$3,082,072</u>	<u>\$3,379,154</u>	<u>\$3,334,250</u>
Ending Balance	<u>\$1,423,226</u>	<u>\$1,648,654</u>	<u>\$1,600,000</u>	<u>\$1,600,000</u>

*Does not include \$365,136 inventory at the prison which is assumed to remain constant through fiscal 1987.

Motor vehicle funds were used in fiscal 1984 to replace \$612,752 of general fund in the Law Enforcement Academy (LEA), the Law Enforcement Network System Bureau (LENS), and the Forensic Science Division (FSD). General fund of \$434,229 was replaced in those programs in fiscal 1985. Partial general funding was retained in the LEA, LENS, and FSD budget in the 1985 biennium. These programs are continued with the same general fund percentage in the 1987 biennium. The other four programs listed in the table have always been funded with motor vehicle funds.

The motor vehicle fund balance has been growing and will have a balance of approximately \$1.6 million on July 1, 1985. Expenditures in current level are equal to the revenue in the 1987 biennium so the balance will remain constant. These funds support the license plate factory. Should new license plates be issued, expenditures would increase by about \$1.6 million. New license plates

have not been issued since 1976.

Does the legislature want to utilize the fund balance, have it remain constant, or temporarily lower these fees?

Option a: Retain the fund balance to support new license plate issues in the future.

Option b: Replace additional general fund in the LEA, LENS, and FSD for this biennium only. This would save general fund of \$468,180 in fiscal 1986 and \$611,662 in fiscal 1987.

Option c: Reduce the motor vehicle fee until the fund balance reaches \$225,000. The annual registration fee for motor vehicles includes money for new license plates. New license plates have not been issued since 1976.

The legislature should be aware that if the department is told by the legislature to issue new plates in the 1987 biennium, there will not be sufficient funds in the motor vehicle account to furnish the new plates.

LEGAL SERVICES DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	20.00	20.00	20.00	20.00	0.00
Personal Service	\$583,176	\$629,606	\$643,145	\$644,068	6.1
Operating Expense	161,875	170,699	164,736	158,655	(2.7)
Equipment	14,356	3,444	3,444	861	(75.8)
Inflation	-0-	-0-	3,587	7,828	--
Total Expenditures	<u>\$759,407</u>	<u>\$803,749</u>	<u>\$814,912</u>	<u>\$811,412</u>	<u>4.0</u>
Fund Sources					
General Fund	\$739,888	\$783,057	\$794,539	\$791,129	4.1
State Special	<u>19,519</u>	<u>20,692</u>	<u>20,373</u>	<u>20,283</u>	<u>1.0</u>
Total Funds	<u>\$759,407</u>	<u>\$803,749</u>	<u>\$814,912</u>	<u>\$811,412</u>	<u>4.0</u>

The Legal Services Division staff provides the Attorney General with legal research and analysis; provides legal counsel for state government officials, bureaus, and boards; represents Montana's interests in cases before state and federal courts, anti-trust cases, and cases involving property that reverts to the state in the absence of legal heirs; interprets laws; provides legal assistance to local governments on bond issues and other matters; and enforces the laws relating to the reporting and collection of unclaimed property owing to persons who cannot be located.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. Personal services were less than budgeted as savings were needed to carry over to meet the fiscal 1986 pay plan. Operating costs show expenditures of \$1,967 over the budgeted amount. Equipment is \$2,912 over the amount budgeted as the Attorney General's new car cost \$2,310 more than was anticipated, and \$602 of office equipment was purchased that had not been budgeted.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	20.00	20.00	0.00
Personal Services	\$631,948	\$583,175	\$48,773
Operating Expenses	159,905	161,872	(1,967)
Equipment	11,444	14,356	(2,912)
Total Expenditures	<u>\$803,297</u>	<u>\$759,403</u>	<u>\$43,894</u>
<u>Funding</u>			
General Fund	\$783,777	\$739,883	\$43,894
State Special	19,520	19,520	-0-
Total Funds	<u>\$803,297</u>	<u>\$759,403</u>	<u>\$43,894</u>

Current Level Adjustments

Operating expenses show a 2.7 percent decrease. Legal fees and court costs were increased by \$5,476 to \$20,000 for antitrust, multi-district case assessments. Printing costs decrease by \$4,757 in fiscal 1987 as the Attorney General's Opinions are published only in the first year of the biennium. Travel was increased by \$3,798 for out-of-state case related travel. As in the past biennium, the legislature may want to make case assessment and case related travel a line-item in the Appropriation Bill. Decreases occur in equipment rent of \$3,562 in fiscal 1986 and to zero in fiscal 1987 as equipment under a lease purchase agreement will be paid off. Consulting services decrease \$4,000. Repair and maintenance increase by \$790 for a maintenance contract on the equipment purchased.

West Law

Funding of \$4,259 in fiscal 1984 and \$9,120 in fiscal 1985 was provided by the last legislature for West Law, a computer research system for legal cases.

The division spent \$2,233 of the appropriated amount in fiscal 1984. It was the legislature's intent that the Legal Services Division be the pilot program for West Law and report back to the next legislature on its use and the possible time savings through its use. As of the writing of this report, the division has not prepared its report to the legislature, but has indicated one will be ready by the time the legislature meets in 1985.

Funding

The state special revenue fund pays part of the costs of an attorney and operating expenses to help the Department of Revenue in enforcing the laws relating to the enforcing and collecting of unclaimed property from financial institutions.

INDIAN LEGAL JURISDICTION

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	2.00	2.00	2.00	2.00	0.00
Personal Service	\$ 58,470	\$55,320	\$ 60,008	\$60,192	5.6
Operating Expense	431,816	18,636	307,655	7,655	(30.0)
Equipment	542	-0-	542	542	100.0
Inflation	-0-	-0-	560	912	--
Total Expenditures	<u>\$490,828</u>	<u>\$73,956</u>	<u>\$368,765</u>	<u>\$69,301</u>	<u>(22.4)</u>
<u>Fund Sources</u>					
General Fund	<u>\$490,828</u>	<u>\$73,956</u>	<u>\$368,765</u>	<u>\$69,301</u>	<u>(22.4)</u>

The Indian Legal Jurisdiction Program staff provides coordination of trial and appellate lawsuits involving the state of Montana on the Indian tribes, provides legal services, and supervises private attorneys contracted by the state to assist with those cases.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	2.00	2.00	0.00
Personal Services	\$ 55,525	\$ 58,470	\$ (2,945)
Operating Expenses	313,303	431,816	(118,513)
Equipment	<u>-0-</u>	<u>542</u>	<u>(542)</u>
Total Costs & General Fund	<u>\$368,828</u>	<u>\$490,828</u>	<u>\$(122,000)</u>

The 1983 legislature appropriated \$68,828 in fiscal 1984 for operating costs and \$300,000 for the fiscal 1985 biennium for legal fees, expert witness fees, and court costs. Supplemental funding of \$122,000 was transferred from fiscal 1985 to help fund program costs for fiscal 1984. This total amount of \$490,828 was expended in fiscal 1984.

Current Level Adjustments

The goal of the Indian Legal Jurisdiction Program is to provide consistent and accurate advice to state agencies on questions of Indian law which affect agency operations and to defend state agencies when their actions are challenged in court because of jurisdictional conflict between state law and tribal law. The state objectives for obtaining this goal are:

1. To provide thorough research on all matters submitted to the project for opinion and advice.
2. To litigate vigorously all lawsuits filed against state agencies involving questions of conflict between state law and tribal law.
3. To provide continuing legal education for staff attorneys working on Indian legal matters.

The Indian Legal Jurisdiction Program started in the Governor's Office in fiscal 1978. Table 1 details the history of expenditures of the program.

Table 1
Indian Legal Jurisdiction Program Expenditures
Fiscal 1977 - Fiscal 1984

<u>Fiscal Year</u>	<u>Expenditures</u>
1978	\$ 100,228
1979	118,079
1980	64,821
1981	96,574
1982	55,239
1983	143,796
1984	<u>490,829</u>
Total Cost	<u>\$1,069,566</u>

The expenditures in fiscal 1984 consisted of two staff persons on the Attorney General's staff, an attorney and an administrative secretary, who help coordinate the various law suits that have been filed against the state by the Indian tribes. Consulting and professional fees paid to ten different law firms and individuals amounted to \$394,239. Another \$28,511 was paid for court reporters and other related court costs. House Bill 447 directs the Attorney General to report to the next legislature in January 1985 on how the appropriation was expended.

There are currently seven separate law suits or cases filed against the state. The litigations involve over \$100 million in state revenue.

The current level budget brings the appropriation back to the 1984 level anticipated by the 1983 legislature. A biennial appropriation of \$300,000 for legal fees and court costs is included in fiscal 1986. Fiscal 1984 was reduced by \$122,064 to reflect the fiscal 1984 appropriated amount plus inflation pending the presentation of the report by the Attorney General's Office.

COUNTY PROSECUTOR SERVICE

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	3.00	3.00	3.00	3.00	0.00
Personal Service	\$100,736	\$ 99,086	\$100,913	\$100,955	1.0
Operating Expense	23,449	22,056	23,687	23,698	4.1
Inflation	-0-	-0-	613	1,362	--
Total Expenditures	<u>\$124,185</u>	<u>\$121,142</u>	<u>\$125,213</u>	<u>\$126,015</u>	<u>2.4</u>
Fund Sources					
General Fund	<u>\$124,185</u>	<u>\$121,142</u>	<u>\$125,213</u>	<u>\$126,015</u>	<u>2.4</u>

The County Prosecutor Services Program (CPS) staff provides legal assistance to counties in the prosecution and disposition of major felonies and in cases in which county attorneys have conflicts of interest. This program also coordinates training and continuing legal education for county attorneys and city attorneys.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	3.00	3.00	0.00
Personal Services	\$ 99,241	\$100,734	\$(1,493)
Operating Expenses	<u>20,449</u>	<u>23,447</u>	<u>(2,998)</u>
Total Costs & General Fund	<u>\$119,690</u>	<u>\$124,181</u>	<u>\$(4,491)</u>

A general fund program transfer was made into this program to cover the overexpenditures.

Current Level Adjustments

Insurance and bonds charged by the Department of Administration increased by \$80 to \$285. Maintenance costs on the program's word processor increased \$164 to \$4,256 each year.

AGENCY LEGAL SERVICES

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E.	9.75	9.00	9.00	9.00	0.00
Personal Service	\$287,120	\$281,767	\$305,786	\$306,172	7.5
Operating Expense	90,896	83,715	88,510	84,620	(0.8)
Inflation	-0-	-0-	5,152	9,087	--
Total Expenditures	<u>\$378,016</u>	<u>\$365,482</u>	<u>\$399,448</u>	<u>\$399,879</u>	<u>7.5</u>
Fund Sources					
Proprietary Fund	<u>\$378,016</u>	<u>\$365,482</u>	<u>\$399,448</u>	<u>\$399,879</u>	<u>7.5</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Limit Working Capital Balance	N/A	N/A	N/A	N/A

The Agency Legal Services Program (ALS) provides legal services, upon request, to state agencies. Agencies are billed (at a current rate of \$45 per hour) for attorney time and case-related costs to support the program. The program does not contemplate an increase in the rate for the 1987 biennium.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	9.00	9.00	0.00
Personal Services	\$282,345	\$272,168	\$ 10,177
Operating Expenses	78,402	90,144	(11,742)
Equipment	<u>1,600</u>	<u>-0-</u>	<u>1,600</u>
Total Costs & Proprietary Funds	<u>\$362,347</u>	<u>\$362,312</u>	<u>\$ 35</u>
Additions:			
Budget Amendments	-0-	\$ 14,951	\$(14,951)

Operating expenses were \$11,742 more than budgeted for the following reasons. Legal fees, court costs, and the costs for outside consultants were \$7,400 more than appropriated. Photo and reproduction costs were \$5,700 more

than appropriated. Telephone calls over the state's telephone system were \$1,416 less than appropriated.

Current Level Adjustments

Operating expenses decreased by \$2,386 or 2.6 percent from fiscal 1984 to fiscal 1986. Equipment rent decreases by \$3,277 in fiscal 1986 and to zero in fiscal 1987 as equipment purchased on an installment basis is paid off. Travel was increased by \$1,574 due to an increase in case related travel.

Funding

Agency legal services is a proprietary fund operation. The source of revenue is an hourly fee charged to the user agencies for its services. The hourly fee in fiscal 1984 was \$42.50. This has been increased to \$45 in fiscal 1985. Table 1 gives a history of working capital in the account for fiscal 1981 through fiscal 1984.

Table 1
Agency Legal Services Working Capital Balances
Fiscal Years 1981 Through 1984

<u>Fiscal Year</u>	<u>Year-End Working Capital Balance</u>
1981	\$25,824
1982	33,803
1983	30,424
1984	77,151

The October 1984 working capital balance was estimated to be \$73,000. A working capital balance of \$77,000 provides the program with a 70-day capital reserve, or enough capital to operate for a three-month period based on a five-day work week. This may be an excessive reserve for a program that operates on a continuing basis. Testimony offered by the agency last session indicated the agency would keep the fee as low as possible while still keeping it high enough to cover the costs.

Does the legislature want to set a working capital or rate increase limit on the proprietary fund?

Option a: Limit the working capital to a 45-day reserve and require any excess to be deposited to the general fund at fiscal year-end.

Option b: Limit the rate increase commensurate with the appropriation increase.

Option c: Take option a and b.

MOTOR VEHICLE ADMINISTRATION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	2.90	2.90	2.90	2.90	0.00
Personal Service	\$79,662	\$83,139	\$ 85,720	\$ 85,756	5.3
Operating Expense	13,164	10,053	18,117	16,280	48.1
Equipment	300	378	-0-	-0-	(100.0)
Inflation	-0-	-0-	286	925	--
Total Expenditures	<u>\$93,126</u>	<u>\$93,570</u>	<u>\$104,123</u>	<u>\$102,961</u>	<u>10.9</u>
<u>Fund Sources</u>					
State Special	<u>\$93,126</u>	<u>\$93,570</u>	<u>\$104,123</u>	<u>\$102,961</u>	<u>10.9</u>

The Motor Vehicle Administrator's Program is responsible for policy direction and administration of driver licensing enforcement actions relating to driver improvement, motor vehicle registration and titling, mandatory vehicle insurance laws, and dealer and manufacturer licensing.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	2.90	2.90	0.00
Personal Services	\$83,449	\$79,662	\$ 3,787
Operating Expenses	9,401	13,164	(3,763)
Equipment	301	300	1
Total Costs & State Special	<u>\$93,151</u>	<u>\$93,126</u>	<u>\$ 25</u>

Telephone expenses were \$1,246 more than anticipated mainly for long distance calls. Repairs were \$1,063 more than anticipated mainly for auto repairs and data processing repairs. Travel was \$1,558 more than anticipated.

Current Level Adjustments

Operation expenses increased by \$4,953, a 38 percent increase from fiscal 1984 to fiscal 1986. Rent increases by \$2,840 to a base of \$5,660 for each year of the biennium. Approximately 900 square feet of space will be made available when the Law Enforcement Teletype Network Bureau moves to new quarters in the Armory. The space will be reallocated at a later date, however, funding must be provided for the space. The funding is placed in this program and will be reallocated at a later date when it is determined who will move into the space.

Travel is increased by \$1,963 in fiscal 1986 and \$126 in fiscal 1987. The administrator of the Motor Vehicle Division is a member of the Board of Directors of the American Association of Motor Vehicle Administrators (AAMVA) and the administrative officer serves on the Financial Responsibility Standing Committee of the AAMVA. The additional travel funds will allow them to carry out their functions with this organization.

Funding

The Motor Vehicle Administration Program is funded from the motor vehicle registration account.

DRIVER SERVICES PROGRAM

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	80.80	80.80	80.80	80.00	0.00
Personal Service	\$1,501,333	\$1,491,160	\$1,521,047	\$1,523,504	1.7
Operating Expense	436,280	474,216	486,709	487,959	7.0
Equipment	44,896	34,060	39,080	32,858	(8.9)
Inflation	-0-	-0-	17,671	32,402	--
Total Expenditures	<u>\$1,982,509</u>	<u>\$1,999,436</u>	<u>\$2,064,507</u>	<u>\$2,076,723</u>	<u>4.0</u>
<u>Fund Sources</u>					
General Fund	\$1,883,109	\$1,900,536	\$1,958,944	\$1,970,317	3.8
State Special	<u>99,400</u>	<u>98,900</u>	<u>105,563</u>	<u>106,406</u>	<u>6.9</u>
Total Funds	<u>\$1,982,509</u>	<u>\$1,999,436</u>	<u>\$2,064,507</u>	<u>\$2,076,723</u>	<u>4.0</u>

The Driver Services Program staff administers the driver's licensing and control provisions of the Motor Vehicle Code. This program also promotes driver safety by monitoring drivers permitted to operate motor vehicles, dealing with problem drivers, and supplying information to the Criminal Justice System.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	80.80	80.80	0.00
Personal Services	\$1,493,265	\$1,501,336	\$(8,071)
Operating Expenses	441,775	436,278	5,497
Equipment	42,470	44,896	(2,426)
Total Expenditures	<u>\$1,977,510</u>	<u>\$1,982,510</u>	<u>\$(5,000)</u>
<u>Funding</u>			
General Fund	\$1,878,110	\$1,883,110	\$(5,000)
State Special	99,400	99,400	-0-
Total Funds	<u>\$1,977,510</u>	<u>\$1,982,510</u>	<u>\$(5,000)</u>

A general fund program transfer of \$5,000 was made into this program to cover the overexpenditure.

Current Level Adjustments

Operating expenses increased by \$50,429 from fiscal 1984 to fiscal 1986, an 11.6 percent increase. Increases were in the following categories: Printing increased by \$8,662. Inventory of pamphlets and envelopes was used up in fiscal 1984. The additional \$8,662 will bring expenditures in printing up to historical levels. Photographic services for driver's licenses was increased by \$5,909. Data processing equipment rent increased \$1,770 for installment payments started in fiscal 1984. Rent for building space in driver's license offices throughout the state increased by \$6,800. Postage increased by \$23,252, and was offset by a reduction in the Highway Patrol Program of \$23,252. This change was made in order to report the mailing costs in the proper programs. Repair and maintenance costs increased by \$4,061 mainly for data processing equipment that was purchased in fiscal 1984.

Equipment in current level allows for the replacement of four high mileage cars in fiscal 1986 and three high mileage cars in fiscal 1987. Funding of \$5,000 each year of the biennium for miscellaneous office equipment was provided.

Funding

Funding for the Driver Services Bureau is from the general fund. Table 1 shows the collections into the general fund to support the program's operations

and the expenses for the program for the past three years.

Table 1
Driver Services Program - General Fund Collections and Expenses
Fiscal 1982 Through 1984

	<u>Fiscal 1982</u>	<u>Fiscal 1983</u>	<u>Fiscal 1984</u>
Collections	\$1,423,101	\$1,364,790	\$1,347,879
Expenses	<u>1,695,046</u>	<u>1,873,721</u>	<u>1,883,110</u>
Expenses in Excess of Collections	<u>\$ 271,945</u>	<u>\$ 508,931</u>	<u>\$ 535,231</u>

Expenses in excess of collections to the general fund total \$1,316,107 over the past three years.

A 1981 amendment to Section 20-7-504, MCA, increased the percentage of the motor vehicle driver's licenses fees deposited to the traffic education account from 5 to 35 percent. The effect on the general fund and on the ability of driver services to pay for its own operations for the past three years is shown in the following table.

Table 2
5 Percent Fee Versus 35 Percent Fee Deposited to Traffic
Education Account for Fiscal 1982 Through Fiscal 1984

<u>Fiscal Year</u>	<u>5% Fee</u>	<u>35% Fee</u>	<u>Difference</u>
1982	\$ 34,932	\$244,524	\$209,592
1983	45,784	320,489	274,705
1984	<u>45,528</u>	<u>318,701</u>	<u>273,173</u>
Total	<u>\$126,244</u>	<u>\$883,714</u>	<u>\$757,470</u>

Even if the law had not been changed to raise the 5 percent fee of the traffic education account to 35 percent, the general fund expenses for the Driver Services Program would be \$558,637 (\$1,316,107 - \$757,470) more than the fees being charged for drivers licenses produced.

The traffic education account has a fund balance of \$1,137,516 at the end of fiscal 1984 compared to a balance of \$998,580 at the start of fiscal 1982.

Does the legislature want to continue supporting the Driver Services Program with other general fund revenues?

Option a: Instruct the Department of Justice to propose legislation to raise the fee schedule for driver services to a level that will fund their operation.

Option b: Reduce the 35 percent fee back to 5 percent for the traffic education account.

Option c: Do a combination of options a and b.

Option d: Fund part of Driver Services Program from the traffic education account.

HIGHWAY PATROL PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	230.60	229.60	229.60	229.60	(.04)
Personal Service	\$6,586,497	\$6,379,150	\$6,647,637	\$6,657,749	2.6
Operating Expense	1,465,717	1,605,552	1,424,450	1,426,235	(7.1)
Equipment	849,731	744,678	770,640	847,740	1.5
Inflation	-0-	-0-	39,561	101,477	--
Total Expenditures	<u>\$8,901,945</u>	<u>\$8,729,380</u>	<u>\$8,882,288</u>	<u>\$9,033,201</u>	<u>1.6</u>
Fund Sources					
General Fund	\$2,581,957	\$2,754,682	\$2,739,871	\$2,881,451	5.3
State Special	6,232,839	5,974,698	6,142,417	6,151,750	0.7
Federal Revenue	<u>87,149</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$8,901,945</u>	<u>\$8,729,380</u>	<u>\$8,882,288</u>	<u>\$9,033,201</u>	<u>1.6</u>
-----Fiscal 1986-----					
-----Fiscal 1987-----					
ISSUE: Cost (Savings)	General Fund		Other Funds		
1. Car Maintenance Cost	N/A		N/A		

The Montana Highway Patrol patrols the highways, enforcing Montana traffic laws and investigating accidents. They give assistance and information to motorists, first aid to the injured, and transport blood and medical supplies in emergency situations.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	230.60	230.60	0.00
Personal Services	\$6,421,124	\$6,575,121	\$(153,997)
Operating Expenses	1,535,676	1,433,759	101,917
Equipment	808,807	839,916	(31,109)
Total Expenditures	<u>\$8,765,607</u>	<u>\$8,848,796</u>	<u>\$(83,189)</u>
<u>Funding</u>			
General Fund	\$2,671,960	\$2,581,960	\$ 90,000
State Special	6,059,647	6,232,836	(173,189)
Federal Revenue	34,000	34,000	-0-
Total Funds	<u>\$8,765,607</u>	<u>\$8,848,796</u>	<u>\$(83,189)</u>

The Highway Patrol Program spent \$83,189 more than the legislature authorized. This was possible by transferring in \$91,000 of general fund from another program. In addition, the program decreased the general fund appropriation by \$181,000 and increased the state special revenue fund to help fund uniformed officers' salaries from the state gas tax fund.

Operating expenses were \$101,917 less than anticipated. In contract services, insurance and bonds were \$15,167 less than budgeted and education and training was \$13,421 less than budgeted. Computer processing services were also \$10,000 less than budgeted. In supplies and materials, ammunition was \$10,000 less than budgeted and gasoline was \$26,000 less than budgeted. In communications, telegraph and postage were \$21,000 more than anticipated. In repairs, vehicle repairs and tires were \$48,000 less than budgeted.

Equipment was \$31,000 more than anticipated. High-band radios that were authorized at \$48,000 were not purchased. The cars that were authorized were purchased but cost \$78,550 more than anticipated.

Current Level Adjustments

The current level budget decreases by \$13,050 from fiscal 1984 to fiscal 1986. Insurance and bonds increased by \$7,316 in fiscal 1986 and \$8,751 in fiscal 1987. Payroll service fees charged by the State Auditor and central payroll increased by \$3,169 each year of the biennium. These fees were paid by the Motor Vehicle Bureau in fiscal 1984. Motor Vehicle Bureau payroll fees have been decreased by \$3,169. Computer service fees to the Department of Administration increased by \$2,000 to pay for the Summons Inventory System which went on-line

in fiscal 1985. Maintenance contracts on new data processing equipment increased by \$6,409 in fiscal 1986 and \$6,759 in fiscal 1987. Postage costs of \$23,252 were transferred to the Driver Services Program for accounting purposes. Relocation costs of \$6,490 were deleted.

Issue 1: Patrol Vehicle

The current level budget allows for the purchase of 60 patrol vehicles each year of the biennium. The program had requested that a total of 80 vehicles be allowed each year stating that all high-mileage vehicles should be replaced to alleviate high maintenance costs. The 80 vehicles that the patrol would replace in fiscal 1986 would have projected mileage ranging from 66,555 miles to 114,189 miles. If only 60 vehicles are replaced, the mileage range of those vehicles replaced would be from 74,779 miles to 114,189 miles. Again, the patrol states that vehicles are traded on a mileage and maintenance basis, with the main emphasis based on the number of miles the vehicle has logged. When asked for maintenance logs on the vehicles the patrol responded that they do not have a reliable system for keeping track of maintenance costs.

The legislature was faced with the same problem last session. The patrol wanted to replace 70 vehicles based on mileage factors. At that time, the patrol was developing a Computerized Vehicle Maintenance System in an attempt to keep track of high maintenance vehicles. A copy of the report for the period ending December 1982 was provided to the Legislative Fiscal Analyst staff for analysis. The analysis revealed that if 70 vehicles were replaced in fiscal 1984, 23 of those replaced vehicles would have 60,000 to 69,999 miles on them with maintenance costs averaging only \$217 each. The Highway Patrol Program then said the system could not be relied on because of errors within the system and key punch errors. The 1985 legislature is faced with the same problem. How can the legislature determine how many vehicles should be replaced because of high mileage and related high maintenance costs when the LFA staff cannot construct an analysis of high maintenance vehicles because of inadequate records? Should the legislature require that the patrol provide maintenance costs for each vehicle requested for replacement? What happened to the maintenance system that had been developed, or significantly developed by December 1982, and the costs of the system development?

VEHICLE REGISTRATION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E.	70.00	70.00	70.00	70.00	0.00
Personal Service	\$1,150,179	\$1,150,013	\$1,187,261	\$1,189,429	3.3
Operating Expense	676,185	851,775	695,478	708,529	(8.1)
Equipment	79,420	29,590	30,182	15,980	(57.6)
Inflation	-0-	-0-	27,204	44,299	--
Total Expenditures	<u>\$1,905,784</u>	<u>\$2,031,378</u>	<u>\$1,940,125</u>	<u>\$1,958,237</u>	<u>(0.9)</u>
Fund Sources					
State Special	<u>\$1,905,784</u>	<u>\$2,031,378</u>	<u>\$1,940,125</u>	<u>\$1,958,237</u>	<u>(0.9)</u>

The Vehicle Registration Program staff implements provisions of the Motor Vehicle Code and handles miscellaneous registrations as provided by law. This program provides a system of motor vehicle registration, a certificate of ownership, lien filing, and licensing of automobile dealers and manufacturers.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	70.00	70.00	70.00
Personal Services	\$1,151,643	\$1,150,179	\$ 1,464
Operating Expenses	751,249	676,185	75,064
Equipment	75,560	79,420	(3,860)
Total Costs & State Revenue	<u>\$1,978,452</u>	<u>\$1,905,784</u>	<u>\$72,668</u>

The major savings in operating expenses were in printing of \$15,000 and in computer processing fees of \$61,000.

Current Level Adjustments

Operating expenses increase \$19,293 from fiscal 1984 to fiscal 1986, a 2.9 percent increase. Printing was increased by \$13,600 in fiscal 1986 and \$24,800 in fiscal 1987, including inflation, for the replacement of permits and envelopes not purchased in fiscal 1984. Maintenance contracts increased by \$6,080 in fiscal 1986

and \$7,870 in fiscal 1987 for new data processing equipment that was purchased in fiscal 1984 and planned purchases in fiscal 1985.

Equipment funds will allow the purchase of nine Cathode Ray Tubes (CRT's) in fiscal 1986 at a cost of \$25,852 and five CRT's in fiscal 1987 at a cost of \$12,500. The program has 41 CRT's. The ones being replaced were purchased in fiscal 1975. Office equipment funds were included at \$4,330 in fiscal 1986 and \$3,480 in fiscal 1987.

LAW ENFORCEMENT DIVISION--ADMINISTRATION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	2.00	2.00	2.00	2.00	0.00
Personal Service	\$61,510	\$59,778	\$62,353	\$62,378	2.8
Operating Expense	9,642	13,793	9,782	9,789	(16.5)
Equipment	-0-	-0-	8,520	-0-	0.0
Inflation	-0-	-0-	307	721	--
Total Expenditures	<u>\$71,152</u>	<u>\$73,571</u>	<u>\$80,962</u>	<u>\$72,888</u>	<u>6.3</u>

FUNDING

General Fund	<u>\$71,152</u>	<u>\$73,571</u>	<u>\$80,962</u>	<u>\$72,888</u>	<u>6.3</u>
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ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Legal Intern	\$2,600	-0-	\$2,600	-0-

The Law Enforcement Services Division--Administration Program administers four bureaus: Criminal Investigation, Fire Marshall, Identification, and the Law Enforcement Academy Bureaus. These bureaus provide a broad spectrum of services vital to local, county, state, and federal law enforcement criminal justice agencies throughout Montana.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	2.00	2.00	0.00
Personal Services	\$59,869	\$61,510	\$(1,641)
Operating Expenses	<u>12,841</u>	<u>9,641</u>	<u>3,200</u>
Total Costs & General Fund	<u>\$72,710</u>	<u>\$71,151</u>	<u>\$ 1,559</u>

The program has 2 FTE and did not have any turnover in fiscal 1984. Since the pay plan was funded through vacancy savings and there were not any vacancy savings, personal services were more than budgeted.

Operating expenses showed savings in contract services of \$1,300, printing of \$870, travel of \$450, and repair of \$350.

Current Level Adjustments

Insurance and bonds charged by the Department of Administration increased from \$3 to \$143. Equipment authorized in fiscal 1986 is a car to replace one that will have 100,000 miles on it in July 1985.

Issue 1: Legal Intern

The Law Enforcement Division is requesting \$2,600 each year of the biennium for a legal intern(s) during the summer months. The intern(s) would be used to assist with case files and in the research, preparation, and duplication of lesson plans to be utilized by the various bureaus under the director of the Law Enforcement Division Administration. The division states that the use of intern(s) will enable higher paid administrators to be able to perform managerial and supervising functions instead of performing case files and lesson plan functions.

Budget documents from the 1983 and the 1985 biennium indicate that the budgets contained contract services for summer intern help. In justifying the continuation of contract services for the 1985 biennium, the division stated that it was necessary to cover for the Law Enforcement Division secretary during her vacation and to assist at the Law Enforcement Division during summer months in general. The contract services for fiscal 1984 was not spent.

Option a: Allow the \$2,600 general fund each year for legal interns but specify it will be used only for the functions the LESD administrator stated they are to be used for.

Option b: Do not fund legal intern(s).

COUNTY ATTORNEY PAYROLL

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E.	28.00	28.00	28.00	28.00	0.00
Personal Services and Total Expenditures	<u>\$727,291</u>	<u>\$773,321</u>	<u>\$769,870</u>	<u>\$799,043</u>	<u>4.5</u>
<u>Fund Sources</u>					
General Fund	<u>\$727,291</u>	<u>\$773,321</u>	<u>\$769,870</u>	<u>\$799,043</u>	<u>4.5</u>

The County Attorney Payroll Program administered by the Central Services Division, pays one-half of the salary and benefits of the 56 county attorneys from state general funds, as required under section 7-4-2502, MCA.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	28.00	28.00	0.00
Personal Services and Total Expenditures	<u>\$741,291</u>	<u>\$727,291</u>	<u>\$14,000</u>
<u>Funding</u>			
General Fund	<u>\$741,291</u>	<u>\$727,291</u>	<u>\$14,000</u>

The state is obligated by statute to pay one-half of county attorneys' salaries and benefits. Of the 56 county attorneys, 14 held the position on a full-time basis in fiscal 1984 and 15 will be on a full-time basis in fiscal 1985. The \$14,000 of unexpended general fund was transferred from this program to fund overexpenditures of other programs in fiscal 1984.

Current Level Adjustments

County attorney salaries are computed in accordance with Section 7-4-2503, MCA. Part of the calculation is an increment of 70 percent of the last previous calendar year's Consumer Price Index for all urban consumers.

The most current forecasts are that the CPI for all urban consumers will show an increase of 4.3 percent for calendar year 1984, 4.3 percent for calendar year 1985, and 5.4 percent for calendar year 1986. The County Attorney payroll

has been calculated for the 1987 biennium based on this forecast. A 4 percent vacancy savings was removed from the 1987 biennium current level amounts.

LAW ENFORCEMENT TELETYPE PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	7.05	7.05	7.05	7.05	0.00
Personal Service	\$158,179	\$168,393	\$143,535	\$143,645	(12.1)
Operating Expense	378,770	497,609	327,898	325,778	(25.4)
Equipment	69,015	-0-	8,000	8,000	(76.8)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>54,444</u>	<u>93,193</u>	<u>--</u>
Total Expenditures	<u>\$605,964</u>	<u>\$666,002</u>	<u>\$533,877</u>	<u>\$570,616</u>	<u>(13.1)</u>
<u>Fund Sources</u>					
General Fund	\$194,577	\$323,840	\$ 5,339	\$ 51,355	(89.0)
State Special	<u>411,387</u>	<u>342,162</u>	<u>528,538</u>	<u>519,261</u>	<u>39.0</u>
Total Funds	<u>\$605,964</u>	<u>\$666,002</u>	<u>\$533,877</u>	<u>\$570,616</u>	<u>(13.1)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Data Processing Fees	-0-	\$95,000	-0-	\$95,000

The Law Enforcement Network System (LENS) Program provides an integrated telecommunications network to facilitate the exchange of criminal justice information among federal, state, and local law enforcement agencies.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

The 1983 legislature gave the LENS Program a \$415,000 appropriation to purchase a new telecommunications switching system for the LENS. Of that appropriation, \$357,152 remains as a carryover to fiscal 1985. A program transfer of \$2,700 was made from this program to fund other programs over expenditures. One FTE programmer was transferred to the Data Processing Division at the start of fiscal year 1984.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	8.05	7.05	(1.00)
Personal Services	\$ 168,982	\$158,179	\$ 10,803
Operating Expenses	734,680	378,770	355,910
Equipment	121,000	69,015	51,985
Total Expenditures	<u>\$1,024,662</u>	<u>\$605,964</u>	<u>\$418,698</u>
<u>Funding</u>			
General Fund	\$ 613,279	\$194,581	\$418,698
State Special	411,383	411,383	-0-
Total Funds	<u>\$1,024,662</u>	<u>\$605,964</u>	<u>\$418,698</u>

Current Level Adjustments

Operating expenses decrease by \$20,955 from fiscal 1984 to fiscal 1986, a 5.5 percent decrease.

Operating expenses were reduced by \$50,920 as they were one-time costs in relation to the new telecommunications switcher. Janitorial services of \$1,200 was included for both years for the new quarters at the National Guard Armory. This was offset by a decrease in rent of \$7,764 at the old location. One-time communication costs of \$1,000 and moving costs of \$3,000 were added in fiscal 1986 only for the expected move to the Armory. Equipment rent was reduced by \$5,722 and repair and maintenance costs were increased by \$8,660 in fiscal 1986 and \$10,550 in fiscal 1987 in anticipation of the equipment for the switcher.

Issue 1: Data Processing Fees

The program has requested a \$95,000 increase in current level for data processing fees. Data processing fees were \$109,860 in fiscal 1984. The requested increase would bring the budget for data processing fees to \$204,860 for each year of the biennium. The data processing fees pay for accessing information in the Department of Administration computer. Information available to the Highway Patrol and local law enforcement officials includes motor vehicle registration data, driver's license data, and criminal history files. The computer also provides, in conjunction with the message switcher, a means of accessing the national LENS to access information in other state's files and the National Crime Information Center in Washington, D.C.

The department states that the request is based on an estimate of expected

increase in activity, but they really do not know what the increased activity will be. Does the legislature want to add \$95,000 to the budget based on unknown activity with no strings attached?

Option a: Authorize the increase of \$95,000 for both years of the biennium to be shared by the state and local users.

Option b: Authorize the increase, but line-item data processing costs.

Option c: Maintain the budget at current level.

Funding

Funding for the LENS Program for the 1987 biennium is provided by three sources: general fund, motor vehicle account funds, and user fees charged to local governments. Motor vehicle funds provide funding of \$347,058 in fiscal 1986 and \$323,205 in fiscal 1987. User fees provide funding of \$214,000 in fiscal 1986 and \$225,000 in fiscal 1987.

Local government users are assessed a set monthly fee that depends on the county or city class. Table 1 shows the number of users, the class and the current fee for each class.

Table 1
LENS Local Government Users by Class

<u>Class</u>	<u>No. In Class</u>	<u>Rate/Month</u>	<u>Revenue</u>
1	35	\$239	\$100,380
2	10	200	24,000
3	12	160	23,040
4	<u>16</u>	<u>120</u>	<u>23,040</u>
Total	<u>73</u>	<u>719</u>	<u>\$170,460</u>

During the past three years, collections in the users account have been as follows: fiscal 1982-\$154,571, fiscal 1984-\$165,528, and fiscal 1984-\$171,785. The funding of the users account for the 1987 biennium was based on inflating 1984 expenditures in the account of \$196,888 by 4 percent for fiscal 1985, 4.5 percent for fiscal 1986, and 5 percent for fiscal 1987.

LAW ENFORCEMENT ACADEMY

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	12.00	12.00	12.00	12.00	0.00
Personal Service	\$302,412	\$292,308	\$306,032	\$306,662	3.0
Operating Expense	321,337	354,952	295,094	295,094	(12.7)
Equipment	10,061	5,800	1,992	2,094	(74.2)
Inflation	-0-	-0-	21,287	34,745	--
Total Expenditures	<u>\$633,810</u>	<u>\$653,060</u>	<u>\$624,405</u>	<u>\$638,595</u>	<u>(1.8)</u>
Fund Sources					
General Fund	\$344,239	\$447,328	\$247,909	\$293,860	(31.5)
State Special	261,646	205,732	376,496	344,735	54.3
Federal Revenue	<u>27,925</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(150.0)</u>
Total Funds	<u>\$633,810</u>	<u>\$653,060</u>	<u>\$624,405</u>	<u>\$638,595</u>	<u>(1.8)</u>

The Law Enforcement Academy Bureau provides a professional education and training program in criminal justice for Montana law enforcement officers and other criminal justice personnel.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	12.00	12.00	0.00
Personal Services	\$292,832	\$302,413	\$ (9,581)
Operating Expenses	336,784	293,407	43,377
Equipment	<u>6,800</u>	<u>10,060</u>	<u>(3,260)</u>
Total Expenditures	<u>\$636,416</u>	<u>\$605,880</u>	<u>\$ 30,536</u>
Funding			
General Fund	\$373,646	\$344,235	\$ 29,411
State Special	<u>262,770</u>	<u>261,645</u>	<u>1,125</u>
Total Funds	<u>\$636,416</u>	<u>\$605,880</u>	<u>\$ 30,536</u>
Additions:			
Budget Amendments	-0-	\$ 27,925	\$(27,025)

Staffing was maintained at 100 percent for fiscal 1984, therefore, vacancy savings were not available to fund the pay plan.

The following operating expenses had savings: ammunition of \$9,000, printing of \$1,600, food service of \$6,000, photocopy expenses of \$3,700, and educational supplies of \$5,000. A general fund program transfer of \$29,000 was made from this program to fund other programs overexpenditures.

A budget amendment was approved during the interim adding \$32,750 of federal funds to provide training in traffic accident investigations and reconstruction. Of the amount authorized \$27,925 was expended.

Current Level Adjustments

Operating expenses increase by \$1,682 from fiscal 1984 to fiscal 1986 or .06 percent increase.

Juvenile Justice Training

In the 1983 legislature, general fund of \$51,864 was provided to replace federal funds for the Juvenile Justice Training. The program expended \$43,336 on the program in fiscal 1984. The legislature should be informed as to the accomplishments of this program so a determination can be made as to whether or not the program should continue.

FIRE MARSHALL PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	8.00	8.00	8.00	8.00	0.00
Personal Service	\$231,680	\$230,291	\$236,243	\$236,343	2.2
Operating Expense	80,185	86,791	85,284	80,588	(0.6)
Equipment	9,200	8,279	17,915	9,941	59.4
Inflation	-0-	-0-	2,330	4,947	--
Total Expenditures	<u>\$321,065</u>	<u>\$325,361</u>	<u>\$341,772</u>	<u>\$331,819</u>	<u>4.2</u>
<u>Fund Sources</u>					
General Fund	<u>\$321,065</u>	<u>\$325,361</u>	<u>\$341,772</u>	<u>\$331,819</u>	<u>4.2</u>

The Fire Marshall's Program is responsible for reducing the loss of life and property from fire, explosion, and arson. Services offered through this program are fire and arson investigation, inspection of state-owned buildings, fire code

interpretation and enforcement, and the collection of fire data through the Fire Incident Reporting System.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F. T. E.	8.00	8.00	0.00
Personal Services	\$230,639	\$231,680	\$(1,041)
Operating Expenses	83,285	80,181	3,104
Equipment	<u>9,138</u>	<u>9,200</u>	<u>(62)</u>
Total Costs & General Fund	<u>\$323,062</u>	<u>\$321,061</u>	<u>\$ 2,001</u>

Current Level Adjustments

Operating expenses increased by \$5,099 from fiscal 1984 to fiscal 1986, a 6.4 percent increase. Operating expenses decreased by \$4,696 from fiscal 1986 to fiscal 1987, a 5.5 percent decrease. In fiscal 1986 printing increases by \$5,036, including inflation to \$8,151, for printing the Montana Fire Codes which are printed every other year. Printing costs drop by \$4,600 in fiscal 1987 which brings printing back to current level.

Equipment includes \$17,040 in fiscal 1986 and \$9,286 in fiscal 1987 for replacement of high-mileage vehicles.

IDENTIFICATION PROGRAM

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	7.00	7.00	8.00	8.00	14.3
Personal Service	\$137,555	\$137,879	\$166,121	\$166,555	20.8
Operating Expense	67,208	65,614	68,033	68,046	2.4
Equipment	11,944	4,027	3,739	908	(70.9)
Inflation	-0-	-0-	891	2,151	--
Total Expenditures	<u>\$216,707</u>	<u>\$207,520</u>	<u>\$238,784</u>	<u>\$237,660</u>	<u>12.3</u>
<u>Fund Sources</u>					
General Fund	<u>\$216,707</u>	<u>\$207,520</u>	<u>\$238,784</u>	<u>\$237,660</u>	<u>12.3</u>

<u>ISSUE: Cost (Savings)</u>	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Fund</u>
1. Data Processing Fees	\$8,244	-0-	\$8,244	-0-

The Identification Bureau staff collect, process, preserve, and disseminate accurate criminal history record information; provide latent print services; and related training to criminal justice agencies throughout the state and nation.

The bureau maintains the automated Criminal History Record Information System. This system contains arrest records, charges, dispositions and descriptions on individuals that have criminal histories. This file is available to all law enforcement officials that have access to the LENS.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	7.00	7.00	0.00
Personal Services	\$138,083	\$137,555	\$ 528
Operating Expenses	62,083	67,208	(5,125)
Equipment	11,309	11,944	(635)
Total Costs & General Fund	<u>\$211,475</u>	<u>\$216,707</u>	<u>\$(5,232)</u>

General fund of \$6,300 was transferred into this program to cover the over expenditure.

Current Level Adjustments

Personal services increase by 1 FTE which added \$28,449 in fiscal 1986 and \$28,688 in fiscal 1987. The 48th Legislature passed legislation requiring the department to establish a system for maintaining files on missing persons and unidentified bodies. A position was transferred from the Central Services Division in fiscal 1985 to provide that function.

Current level operating expenses increased by \$825 from fiscal 1984 to fiscal 1986, a 1.2 percent increase. The largest increase was \$462 in gasoline to fund a full year's usage of two automobiles. Equipment requested includes file cabinets, supply cabinets, cameras, refrigerator, and humidifier.

Issue 1: Data Processing Fees

The Identification Program was appropriated \$32,000 in fiscal 1984 to pay for data processing fees to operate the Criminal History Record Information (CHRI) System. Actual costs were \$39,751. The program's requesting a total of \$48,000 each year of the biennium, an increase of 21 percent to operate the system. The requested increase is an estimate of the activity for the coming biennium, but the real costs are unknown.

Does the legislature want to increase the amount for data processing fees based on an unknown usage factor?

Option a: Increase the general fund appropriation \$8,244 each year for data processing fees estimates given by the program personnel.

Option b: Increase the data processing fees, but require that any excess funding revert to the general fund.

Option c: Maintain the current level budget.

CRIMINAL INVESTIGATION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	4.00	4.00	4.00	4.00	0.00
Personal Service	\$126,683	\$121,525	\$128,324	\$128,808	3.6
Operating Expense	85,175	36,697	28,566	28,624	(53.1)
Equipment	364	8,020	-0-	-0-	(100.0)
Inflation	-0-	-0-	308	1,162	--
Total Expenditures	<u>\$212,222</u>	<u>\$166,242</u>	<u>\$157,198</u>	<u>\$158,594</u>	<u>(16.6)</u>
Fund Sources					
General Fund	\$155,228	\$166,242	\$157,198	\$158,594	(1.8)
Federal Revenue	<u>56,994</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$212,222</u>	<u>\$166,242</u>	<u>\$157,198</u>	<u>\$158,594</u>	<u>(16.6)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Travel				
Option a:	\$9,653	-0-	\$9,653	-0-
Option b:	\$3,956	-0-	\$3,956	-0-
2. Rent	\$1,771	-0-	\$1,771	-0-

The Criminal Investigation Bureau staff are required by statute to assist city, county, state, and federal law enforcement agencies at their request by: providing expert and immediate aid in investigation and solution of felonies committed in Montana, and investigating apparent violations of penal statutes disclosed by the audit of a state agency conducted by the Legislative Auditor and reported by him to the Attorney General and the Governor.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	4.00	4.00	0.00
Personal Services	\$121,839	\$126,380	\$ (4,541)
Operating Expenses	35,110	28,543	6,567
Equipment	-0-	304	(304)
Total Costs & General Fund	<u>\$156,949</u>	<u>\$155,227</u>	<u>\$ 1,722</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 56,993	\$(56,993)

All positions remained filled during the year, therefore, no vacancy savings were available to fund the pay plan.

Savings in operating expenses were supplies of \$2,100, communication of \$450, travel of \$4,000, and office rent of \$2,400. Repair and maintenance was overexpended by \$600 and other expenses were overexpended by \$700.

The budget amendment funds are federal grant money used to pay for 2 FTE and operating costs. The function of the program is to provide the Rocky Mountain Region law enforcement agencies assistance and information necessary for the prosecution of criminal activities that traverse jurisdictional or state boundaries within the region. The budget amendment was for \$64,997 of which \$56,993 was spent.

Current Level Adjustments

Small adjustments increase the budget by \$23.

Issue 1: Travel

The current level budget contains \$6,081 of in-state travel that is all case related travel and \$3,453 in out-of-state travel which is split between case related travel of approximately \$2,400 and training travel of \$1,053. The program has asked for an increase in out-of-state travel totaling \$9,653 bringing total out-of-state travel to \$13,106. Out-of-state case related travel would be \$6,356 and out-of-state training travel would be \$6,750. The training travel has only been identified as a two-week school for three agents and the bureau chief.

Option a: Increase travel by the amount requested general fund of \$9,653 for each year of the biennium.

Option b: Increase travel for the case related travel. This would increase the general fund cost by \$3,956 each year.

Option c: Maintain travel at current level.

Issue 2: Rent

The program has requested a rent increase of \$1,771 as it has taken over the space formerly occupied by the federally funded Rocky Mountain Information Network Program. This increase would bring the square foot per person in the program to 460 square feet. The General Services Division in the Department of Administration uses a guide of 100 to 150 square feet per person when allocating space.

Option a: Appropriate a general fund increase of \$1,771 for rent each year.

Option b: Do not increase the appropriation for rent.

CRIMINAL INVESTIGATION - COAL BOARD

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	5.00	5.00	5.00	5.00	100.0
Personal Service	\$ 71,353	\$133,101	\$134,670	\$134,728	31.7
Operating Expense	68,827	75,702	49,874	49,874	(30.9)
Inflation	-0-	-0-	1,763	3,341	--
Total Expenditures	<u>\$140,180</u>	<u>\$208,803</u>	<u>\$186,307</u>	<u>\$187,943</u>	<u>7.2</u>
<u>Fund Sources</u>					
Private Revenue	<u>\$140,180</u>	<u>\$208,803</u>	<u>\$186,307</u>	<u>\$187,943</u>	<u>7.2</u>

The Criminal Investigation-Coal Board Program provides undercover criminal investigative services, primarily in illegal drugs and stolen property, to the Eastern Coal Counties Task Force. Funding for this program is a grant from the Eastern Coal Counties Task Force which receives its funding from the Coal Board. The counties served are Yellowstone, Big Horn, Rosebud, Treasure, and Powder River.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	5.00	3.50	1.50
Personal Services	\$133,594	\$ 71,352	\$62,242
Operating Expenses	70,447	68,826	1,621
Total Expenditures	<u>\$204,041</u>	<u>\$140,178</u>	<u>\$63,863</u>
<u>Funding</u>			
Coal Tax Grant	<u>\$204,041</u>	<u>\$140,178</u>	<u>\$63,863</u>

The program was authorized 5 FTE for the 1985 biennium. Only 3.5 FTE were employed which resulted in personal service savings. However, two contract agents were employed for two-thirds of the year which increased contract services by \$25,000 more than the budgeted contract service. This was made possible by savings in supplies and materials of \$2,500, communications of \$2,400, and travel of \$19,000.

Current Level Adjustments

Operating expenses show a decrease of \$18,953 from fiscal 1984 to fiscal 1986. Contract services were decreased by \$32,110. Contract services was used to pay for contract agents instead of hiring employees. Full funding for the 5 FTE authorized last legislative session is in the current level budget. Insurance increased by \$12,759 to \$15,250 for each year of the biennium. Of this increase, \$12,250 is for enforcement liability insurance through Lloyds of London. The liability insurance was paid for in fiscal 1984 by the Eastern Coal Counties Task Force.

CENTRAL SERVICE DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	11.00	11.00	10.00	10.00	(9.1)
Personal Service	\$285,473	\$278,745	\$262,442	\$263,033	(6.9)
Operating Expense	94,007	72,126	115,701	85,750	20.9
Equipment	884	25,879	25,000	25,000	86.8
Inflation	-0-	-0-	458	1,655	--
Total Expenditures	<u>\$380,364</u>	<u>\$376,750</u>	<u>\$403,101</u>	<u>\$375,438</u>	<u>2.8</u>
Fund Sources					
General Fund	\$376,251	\$351,750	\$364,417	\$350,438	(1.8)
State Special	<u>4,113</u>	<u>25,000</u>	<u>38,684</u>	<u>25,000</u>	<u>118.7</u>
Total Funds	<u>\$380,364</u>	<u>\$376,750</u>	<u>\$403,101</u>	<u>\$375,438</u>	<u>2.8</u>

The Central Services Division staff provide the administrative, budgetary accounting, and fiscal support for the Department of Justice.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	11.00	11.00	0.00
Personal Services	\$279,170	\$285,471	\$(6,301)
Operating Expenses	103,725	93,327	10,398
Equipment	25,879	299	25,580
Total Expenditures	<u>\$408,774</u>	<u>\$379,097</u>	<u>\$29,677</u>
Funding			
General Fund	\$379,696	\$376,249	\$ 3,447
State Special	<u>29,078</u>	<u>2,848</u>	<u>26,230</u>
Total Funds	<u>\$408,774</u>	<u>\$379,097</u>	<u>\$29,677</u>

The major difference in the comparison of operating expenses to budget is audit fees. Audit fees were appropriated at \$31,500 and only \$22,069 was spent leaving a balance of \$9,431. The equipment appropriation was not utilized as \$25,000 that was appropriated in the insurance account for the replacement of

damaged vehicles was not spent in fiscal 1984 as there were not any claims against the account.

Current Level Adjustments

The program transferred 1 FTE to the Identification Bureau to perform the function of missing person specialist.

Operating expenses increased by \$21,194 from fiscal 1984 to fiscal 1986, a 22.5 percent increase. Increases are \$7,678 of audit fees for a total audit cost of \$29,747 in fiscal 1986 and insurance and bonds increased \$12,642 to a total cost of \$58,105, and repair and maintenance on equipment increased \$874 to a total cost of \$936.

The insurance account in the state special revenue fund for the replacement of damaged equipment was again given \$25,000 for each year. Audit fees for the motor vehicle account of \$3,570 and \$13,684 for the state gas fund that funds highway patrol salaries makes up the balance of the state special revenue fund in fiscal 1986.

DATA PROCESSING

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	8.00	7.00	8.00	8.00	(.07)
Personal Service	\$232,003	\$215,194	\$244,471	\$245,022	9.4
Operating Expense	16,542	15,135	16,688	16,747	5.5
Equipment	2,848	-0-	-0-	4,395	54.3
Inflation	-0-	-0-	414	1,142	--
Total Expenditures	<u>\$251,393</u>	<u>\$230,329</u>	<u>\$261,573</u>	<u>\$267,306</u>	<u>9.8</u>
<u>Fund Sources</u>					
General Fund	<u>\$251,393</u>	<u>\$230,329</u>	<u>\$261,573</u>	<u>\$267,306</u>	<u>9.8</u>

The staff of the Data Processing Division plans, directs, evaluates, and supports all programs within the department that rely on automated data processing and law enforcement telecommunications systems. The goal of the program is to provide the department with efficient data processing and telecommunications capabilities with which to serve the general public.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	7.00	8.00	(1.00)
Personal Services	\$215,502	\$232,003	\$(16,501)
Operating Expenses	14,073	16,540	(2,467)
Equipment	-0-	2,848	(2,848)
Total Costs & General Fund	<u>\$229,575</u>	<u>\$251,391</u>	<u>\$(21,816)</u>

The program had 7 FTE to start the year. One FTE programmer was transferred from the LENS Bureau at the start of the year so that data processing services could be coordinated with that program.

Current Level Adjustments

The Data Processing Division was maintained at current level.

EXTRADITION AND TRANSPORTATION OF PRISONERS PROGRAM

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>---Current Level---</u>		<u>% Change</u>
	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>1985-87</u>
	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Biennium</u>
F.T.E	0.00	0.00	0.00	0.00	0.00
Operating Expenses	\$153,403	\$156,107	\$153,403	\$153,403	(0.8)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>11,232</u>	<u>18,294</u>	<u>—</u>
Total Expenditures	<u>\$153,403</u>	<u>\$156,107</u>	<u>\$164,635</u>	<u>\$171,697</u>	<u>8.6</u>
<u>Fund Sources</u>					
General Fund	<u>\$153,403</u>	<u>\$156,107</u>	<u>\$164,635</u>	<u>\$171,697</u>	<u>8.6</u>

The Extradition and Transportation of Prisoners Program, administered by Central Services Division staff, pays claims to sheriffs for expenses of transporting certain prisoners to state prison, and for claims of any agent employed by the state to return a fugitive from justice to this state by order of the Governor.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	0.00	0.00	0.00
Operating Expenses and Total Expenditures	<u>\$148,401</u>	<u>\$153,401</u>	<u>\$(5,000)</u>
<u>Funding</u>			
General Fund	<u>\$148,401</u>	<u>\$153,401</u>	<u>\$(5,000)</u>

In order to satisfy the statutory requirements of the program \$5,000 of general fund was transferred from other programs within the department.

Current Level Adjustments

Expenses for this program cannot be estimated. Therefore, the program was left at current level plus inflation.

FORENSIC SCIENCE DIVISION

<u>Budget Item</u>	<u>Actual Fiscal 1984</u>	<u>Appropriated Fiscal 1985</u>	<u>---Current Level---</u>		<u>% Change 1985-87 Biennium</u>
F.T.E	14.00	14.00	14.00	14.00	0.00
Personal Service	\$427,532	\$424,209	\$439,460	\$440,342	3.2
Operating Expense	162,626	169,638	158,923	159,240	(4.2)
Equipment	94,571	12,500	862	9,286	(90.5)
Inflation	-0-	-0-	9,402	14,961	--
Total Expenditures	<u>\$684,729</u>	<u>\$606,347</u>	<u>\$608,647</u>	<u>\$623,829</u>	<u>(4.5)</u>
<u>Fund Sources</u>					
General Fund	\$360,363	\$371,178	\$214,940	\$262,728	(34.7)
State Special	289,365	235,169	393,707	361,101	43.8
Federal Revenue	<u>35,001</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$684,729</u>	<u>\$606,347</u>	<u>\$608,647</u>	<u>\$623,829</u>	<u>(4.5)</u>

<u>ISSUE: Cost (Savings)</u>	<u>-----Fiscal 1986-----</u>		<u>-----Fiscal 1987-----</u>	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Equipment	-0-	\$50,025	-0-	\$20,000
2. Maintenance Costs	-0-	\$ 4,400	-0-	\$ 4,640

The Forensic Science Program which includes the Crime Laboratory, provides for a statewide system of death investigations, forensic science training, scientific

criminal investigations in the state, and scientific analysis of specimens submitted by law enforcement officials, coroners, and state agencies. The laboratory analyzes blood, breath, and urine samples taken by law enforcement officers in connection with Driving Under the Influence of Alcohol or Drugs (DUI) cases. The laboratory also performs drug and alcohol screens for the state Department of Institutions.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	14.00	14.00	0.00
Personal Services	\$424,640	\$427,532	\$(2,892)
Operating Expenses	158,727	157,626	1,101
Equipment	68,000	64,571	3,429
Total Expenditures	<u>\$651,367</u>	<u>\$649,729</u>	<u>\$ 1,638</u>
<u>Funding</u>			
General Fund	\$362,001	\$360,363	\$ 1,638
State Special	289,366	289,366	-0-
Total Funds	<u>\$651,367</u>	<u>\$649,729</u>	<u>\$ 1,638</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 35,000	\$35,000

The budget amendment for \$35,000 was used to provide federal matching funds for general fund approved equipment purchases. The division was instructed last session to apply for the funds. Of the \$35,000, travel costs of \$5,000 was incurred to instruct officers in the use of equipment and \$30,000 was matched with \$11,000 of general fund to purchase the equipment.

Current Level Adjustments

Operating expenses decreased by \$3,703 from fiscal 1984 to fiscal 1986, a 2.3 percent decrease. Contract services were increased by \$540 for maintenance on the labs security system. Contract services for blood tests for lab personnel are included at \$525. The tests, normally taken in June, were not taken until July. Rent costs for the lab increased by \$4,123. One-time relocation expense of \$3,900 was deleted from the base.

Equipment includes a new typewriter in fiscal 1986 for \$862 and an automobile in fiscal 1987 at \$9,286. At current usage the present lab automobile will have 120,000 miles on it in fiscal 1987.

Issue 1: Equipment Request

The Forensic Science Division is requesting lab equipment of \$50,025 in fiscal 1986 and \$20,000 in fiscal 1987. The lab maintains that after five years of use the equipment deteriorates markedly, even when it has been properly maintained; and that after eight years, replacement parts can become almost impossible to obtain. The lab wants to try to replace equipment every five years to ensure they have reliable equipment.

All of the equipment requested in fiscal 1986 will be six years or older in fiscal 1986. The one piece of equipment requested in fiscal 1987 will be six years old in fiscal 1987.

Option a: Authorize the replacement of the requested equipment at a cost of \$50,025 in fiscal 1986 and \$20,000 in fiscal 1987.

Option b: Require that the lab keep maintenance logs on equipment detailing costs and down time so equipment may be replaced because of excessive maintenance costs and loss of productivity due to down time.

Issue 2: Maintenance Costs

The Five-County Coal Task Force is going to purchase a gas chromatograph/mass spectrophotometer in fiscal 1985 and give it to the lab on the condition that the lab give priority for its use to those cases that come from the five counties in the task force. The lab would then be allowed to use the equipment on other cases. Another condition of receiving the equipment is that the lab pay the maintenance contract of \$4,400 in fiscal 1986 and \$4,640 in fiscal 1987.

Does the legislature want to commit state funds for maintenance of a donated piece of equipment?

Option a: Appropriate the \$4,400 in fiscal 1986 and \$4,640 in fiscal 1987 to maintain the equipment.

Option b: Grant the authority for the equipment, but specify maintenance contracts is to be funded by the Five-County Coal Task Force as the state is already paying for laboratory personnel, operating costs, and other equipment.

HIGHWAY TRAFFIC SAFETY

	<u>FTE</u> <u>FY '87</u>	- - - - 1987 Biennium - - - - <u>General Fund</u>	- - - - <u>Total Funds</u>
Executive Budget	8.50	-0-	\$3,076,051
LFA Current Level	<u>8.50</u>	<u>-0-</u>	<u>3,040,183</u>
Executive Over (Under) LFA	<u>-0-</u>	<u>-0-</u>	<u>\$ 35,868</u>

The executive budget is \$35,868 above current level due to vacancy savings, inflation, and the executive adding modifications costing \$70,418 for alcohol and seat belt education and fatal accident reports.

Issue 1:

The executive budget has a 4 percent vacancy savings each year which accounts for \$19,562 of the difference. The LFA policy was to take a zero vacancy savings in agencies of less than 20 FTE.

Issue 2: Inflation

The executive budget contains less inflation than the current level analysis. Between minor expenditure adjustments and inflation factors, current level operating costs are approximately \$16,000 more for the 1987 biennium.

Issue 4: Modified Requests

The executive budget includes two modified requests costing \$70,418 of federal funds for the biennium. These requests are for alcohol and seat belt education and fatal accident reporting.

HIGHWAY TRAFFIC SAFETY

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	8.50	8.50	8.50	8.50	0.00
Personal Service	\$232,729	\$ 225,344	\$ 246,570	\$ 247,277	7.8
Operating Expense	151,899	160,288	155,007	152,570	(1.4)
Equipment	-0-	-0-	10,000	-0-	100.0
Inflation	<u>-0-</u>	<u>-0-</u>	<u>10,588</u>	<u>18,171</u>	<u>--</u>
Total Operating Costs	\$384,628	\$ 385,632	\$ 422,165	\$ 418,018	9.0
Non-Operating Costs	<u>479,922</u>	<u>1,058,554</u>	<u>1,100,000</u>	<u>1,100,000</u>	<u>42.9</u>
Total Expenditures	<u>\$864,550</u>	<u>\$1,444,186</u>	<u>\$1,522,165</u>	<u>\$1,518,018</u>	<u>31.6</u>
<u>Fund Sources</u>					
State Special	\$ 68,316	\$ 70,283	\$ 71,800	\$ 71,500	3.3
Federal Revenue	<u>796,234</u>	<u>1,373,903</u>	<u>1,450,365</u>	<u>1,446,518</u>	<u>33.4</u>
Total Funds	<u>\$864,550</u>	<u>\$1,444,186</u>	<u>\$1,522,165</u>	<u>\$1,518,018</u>	<u>31.6</u>

Highway Traffic Safety assists local and state government entities in promoting traffic safety in order to reduce death, injury, and property loss that result from highway traffic accidents.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. The agency expended more in personal services and communications. This was possible due to less expenditures in contract services. Personal services were more than anticipated as all positions were filled during the year and there was not any vacancy savings generated to fund the pay plan. Expenditures for grants were underspent as grants to cities and counties were less than originally anticipated. Postage was \$1,478 more than anticipated as there was an increased volume of outgoing mail in the Child Restraint and Alcohol Programs.

HIGHWAY TRAFFIC SAFETY

Page 2

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	8.50	8.50	0.00
Personal Service	\$ 225,508	\$232,729	\$ (7,221)
Operating Expenses	<u>160,212</u>	<u>150,244</u>	<u>9,968</u>
Total Operating Costs	\$ 385,720	\$382,973	\$ 2,747
Grants	<u>1,058,554</u>	<u>479,922</u>	<u>578,632</u>
Total Expenditures	<u>\$1,444,274</u>	<u>\$862,895</u>	<u>\$581,379</u>
<u>Funding</u>			
State Special	\$ 70,305	\$ 68,316	\$ 1,989
Federal Revenue	<u>1,373,969</u>	<u>794,579</u>	<u>579,390</u>
Total Funds	<u>\$1,444,274</u>	<u>\$862,895</u>	<u>\$581,379</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 1,655	\$ (1,655)

Current Level Adjustments

The program was maintained at current level. Costs of \$4,682 were added for an indirect cost plan which would reimburse the state general fund for support the program receives from the Department of Administration and the Auditor's Office. Audit fees of \$2,437 are included in fiscal 1986 only. Equipment for \$10,000 is to replace a van that has 89,000 miles.

Funding is provided by the National Highway Traffic Safety Administration. A 50 percent state match on administration and planning costs is required in order to secure the federal funds. The federal funds that are not used for program administration are allocated in the ratio of 60 percent to local government and 40 percent to state agencies.

The state's 50 percent match for administration and planning costs is from highway gas taxes.

BOARD OF CRIME CONTROL

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	13.0	\$868,451	\$1,033,451
LFA Current Level	<u>12.0</u>	<u>860,926</u>	<u>1,025,926</u>
Executive Over (Under) LFA	<u>1.0</u>	<u>\$ 7,525</u>	<u>\$ 7,525</u>

The executive budget is \$7,525 above LFA current level.

Issue 1: Statistical Clerk

A statistical clerk position costing approximately \$35,000 over the biennium was deleted in current level analysis. Two statistical clerk positions had been vacant a total of 84 percent of fiscal 1984. The executive budget retains this position.

Issue 2: Vacancy Savings

The LFA current level analysis does not remove vacancy savings from agencies with less than 20 FTE. The executive budget has taken \$30,800 in vacancy savings from this agency.

BOARD OF CRIME CONTROL

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	13.00	13.00	12.00	12.00	(7.7)
Personal Service	\$348,708	\$364,131	\$369,601	\$370,103	3.7
Operating Expense	141,482	145,876	140,250	130,434	(5.8)
Equipment	4,577	-0-	-0-	-0-	(100.0)
Inflation	-0-	-0-	5,351	10,187	--
Total Expenditures	<u>\$494,767</u>	<u>\$510,007</u>	<u>\$515,202</u>	<u>\$510,724</u>	<u>(21.6)</u>
<u>Fund Sources</u>					
General Fund	\$412,304	\$424,367	\$432,702	\$428,224	2.8
Federal Revenue	<u>82,463</u>	<u>85,640</u>	<u>82,500</u>	<u>82,500</u>	<u>(1.8)</u>
Total Funds	<u>\$494,767</u>	<u>\$510,007</u>	<u>\$515,202</u>	<u>\$510,724</u>	<u>(21.6)</u>

The Montana Board of Crime Control was established in 1968 to administer action grant funds to various state and local agencies. The agency is governed by a supervisory board of 18 members representative of law enforcement and criminal justice agencies. The members of the Supervisory Board are appointed by the Governor. The major source of funding for this agency until fiscal 1984 was the now defunct Law Enforcement Assistance Administration.

The legislature replaced federal funds of \$212,885 in fiscal 1984 and \$190,480 in fiscal 1985 with general fund money. This 68 percent increase in general fund was to allow the agency to provide technical assistance to state and local law enforcement agencies. Assistance is provided in the areas of jail improvement, management and statistical analysis, crime prevention, crimestoppers, manpower development, information systems, residential programs for youth in trouble, and the establishment of minimum law enforcement standards for equipment, procedures, and training schools administered by the state or any of its political subdivisions.

The agency has four bureaus. The Juvenile Justice Bureau is responsible for distributing funds awarded the state under the Juvenile Justice Act. The Planning and Research Bureau maintains the Montana Uniform Reporting Program and a law enforcement inventory of manpower and equipment for all the law enforcement agencies in the state. The P.O.S.T. Bureau develops standards for the selection and training of peace officers which include highway patrolmen, deputy sheriffs, undersheriffs, city police officers, fish and game people, campus

police, and airport police. The Financial Bureau provides accounting and administrative support to the other bureaus.

Federal funds of \$82,500 in each fiscal year 1986 and 1987 are for administration of juvenile justice planning and operation of the juvenile probation information system that provides management information to youth courts. These funds come from the federal Department of Justice. The remainder, 63 percent of the federal justice grant, or \$142,500 each year will be passed through to local units of government for projects associated with the Juvenile Justice Act.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	13.00	13.00	0.00
Personal Services	\$365,830	\$346,328	\$19,502
Operating Expenses	150,896	136,531	14,365
Equipment	-0-	4,577	(4,577)
Total Expenditures	<u>\$516,726</u>	<u>\$487,436</u>	<u>\$29,290</u>
<u>Funding</u>			
General Fund	\$436,314	\$412,304	\$24,010
Federal Revenue	80,412	75,132	5,280
Total Funds	<u>\$516,726</u>	<u>\$487,436</u>	<u>\$29,290</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 7,331	\$(7,331)

The difference in what the legislature appropriated in personal services and what the agency actually spent is attributable to two statistical clerk III positions each being vacant approximately 58 percent of the year. Operating expenses were not fully utilized. The major piece of equipment purchased was a computer.

Two budget amendments were approved. One for \$8,707 was a study to determine the effects of the exclusionary rule which deals with the conduct of the police when searching for evidence of a crime. The other for \$4,500 was to pay operating expenses of the Montana Jail Committee. Expenditures relating to these two budget amendments total \$7,331.

Current Level Adjustments

One statistical clerk III position was reduced as the agency had 1.2 FTE statistical clerk positions vacant in fiscal 1984.

Operating costs had minor adjustments which resulted in 3 percent, or \$3,719, being added to current level expenses before inflation. Adequate funds have been added (1) to print the uniform crime reporting forms which were not printed in fiscal 1984 and (2) to fully support the key punching services associated with the uniform crime reports and the juvenile information system.

DEPARTMENT OF REVENUE

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	997.05	\$38,883,323	\$173,936,682
LFA Current Level	971.30	33,911,746	112,258,991
Executive Over (Under) LFA	<u>25.75</u>	<u>\$ 4,971,577</u>	<u>\$ 61,677,691</u>

The executive's recommended budget is \$61,677,691 over the LFA current level analysis. Of the \$61.7 million, \$53.9 million is non-state funds for which the state acts only as collective and/or pass through agent for local governments and \$1.8 million is for modified requests. The remaining difference of \$6 million is due primarily to the executive adding \$6 million to the cost of goods sold for the Liquor Division.

Issue 1: Non-Appropriated Costs

Included in the executive budget is \$2,213,000 of general fund authority and \$51,649,000 of other fund authority for the transfer of taxes collected to other funds or to local governments. The authority for these transfers is already included in other statutes within the MCA's. The authority does not need to be appropriated in the general appropriation bill.

Issue 2: Legal Fees

The director's office received a \$35,000 biennial appropriation in the 1985 biennium for outside legal fees. The LFA current level analysis contains a \$35,000 biennial appropriation for the 1987 biennium. The executive budget contains \$35,000 each year of the biennium for outside legal fees.

Issue 3: Centralized Services FTE

The LFA current analysis decreased the centralized services budget by 1.25 FTE as the positions were vacant all of fiscal 1984 and were vacant as of September 30, 1984. These positions also relate to the personnel function which was transferred to the director's office.

Issue 4: Property Assessment County Expenses

The executive budget contains \$450,000 for expenses in the county assessor offices that have not previously been paid by the state. These costs were over the amount expended by the division for county expenses in fiscal 1984.

Issue 5: Modify Requests

The following table details the executive's recommendation for modified requests for the Department of Revenue.

Table 1
Modified Requests, Department of Revenue
1987 Biennium

<u>Modified Request</u>	<u>FY '86</u>	<u>FY '87</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Research and Information	5.00	6.50	\$ 135,747	\$ 45,250	\$ 180,997
Legal Division	2.00	2.00	11,685	96,631	108,316
Corporation Tax	4.00	4.00	192,639	64,213	256,852
Clerical/Corporation Tax	1.00	1.00	31,176	-0-	31,176
Word/Processing Operator	1.00	1.00	42,273	-0-	42,273
Mineral Royalty Auditors	3.33	3.00		274,346	274,346
Property Valuation	1.50	1.50	83,678	-0-	83,678
Clerical Support Reappraisal	26.67		387,530	-0-	387,530
Keypunch, Appraisal	6.50		88,526	-0-	88,526
Airline Litigation			120,000		120,000
Miscellaneous Taxes	2.00	2.00	-0-	118,956	118,956
Automated Systems			23,299	43,805	67,104
Motor Fuel Tax			-0-	84,400	84,400
Totals	<u>53.00</u>	<u>21.00</u>	<u>\$1,116,553</u>	<u>\$727,601</u>	<u>\$1,844,154</u>

Table 1
Modify Requests, Department of Revenue
1987 Biennium

	<u>FY 86</u>	<u>FY 87</u>
<u>Research and Information</u>		
<u>Increased workload</u>		
FTE	5.00	6.50
General Fund	\$ 60,413	\$ 75,334
Liquor Fund	20,138	25,112
Total Funding	<u>\$ 80,551</u>	<u>\$100,446</u>
<u>Legal Division</u>		
<u>Investigations</u>		
FTE	2.00	2.00
General Fund	\$ 6,510	\$ 5,175
Welfare Fraud	6,510	5,175
Liquor Fund	46,799	38,147
Total Funding	<u>\$ 59,819</u>	<u>\$ 48,497</u>
<u>Corporation Tax</u>		
<u>Tax Auditors</u>		
FTE	4.00	4.00
General Fund	\$ 98,958	\$ 93,681
State Special	32,986	31,227
Total Funding	<u>\$131,944</u>	<u>\$124,908</u>
<u>Clerical/Corporation Tax</u>		
FTE	1.00	1.00
General Fund	<u>\$ 15,757</u>	<u>\$ 15,419</u>
<u>Word/Processing Operator</u>		
FTE	1.00	1.00
General Fund	<u>\$ 24,885</u>	<u>\$ 17,388</u>
<u>Mineral Royalty Auditors</u>		
FTE	3.33	3.33
Federal Special	<u>\$138,122</u>	<u>\$136,224</u>
<u>Property Valuation</u>		
<u>Attorney Typist</u>		
FTE	1.50	1.50
General Fund	<u>\$ 41,830</u>	<u>\$ 41,848</u>

----- Continued -----

Table 1, Continued
 Modify Request, Department of Revenue
 1987 Biennium

Clerical Support Reappraisal

FTE	26.67	
General Fund	<u>\$387,530</u>	

Keypunch, Appraisal

FTE	6.50	
General Fund	<u>\$ 88,526</u>	

Airline Litigation

General Fund	<u>\$120,000</u>	
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Miscellaneous Taxes

Unclaimed Property Audit

FTE	2.00	2.00
State Special Revenue	<u>\$ 60,478</u>	<u>\$ 58,478</u>

Automated Systems

General Fund	\$ 23,299	
State Special Revenue		<u>\$ 43,805</u>
Total	<u>\$ 23,299</u>	<u>\$ 43,805</u>

Motor Fuel Tax

Automate Fuel Tax Collections

State Special Revenue Fund	<u>\$ 54,400</u>	<u>\$ 30,000</u>
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DEPARTMENT OF REVENUE

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	1013.93	1012.55	971.30	971.30	(4.2)
Personal Service	\$19,129,676	\$19,787,540	\$20,050,846	\$20,083,636	3.1
Operating Expense	35,028,145	39,610,744	35,167,393	34,884,797	(6.1)
Equipment	676,339	443,076	238,711	286,642	(53.0)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>464,236</u>	<u>767,730</u>	<u>--</u>
Total Operating Costs	\$54,834,160	\$59,841,360	\$55,921,186	\$56,022,805	(2.3)
Non-Operating Costs	<u>111,119</u>	<u>120,000</u>	<u>155,000</u>	<u>160,000</u>	<u>36.2</u>
Total Expenditures	<u>\$54,945,279</u>	<u>\$59,961,360</u>	<u>\$56,076,186</u>	<u>\$56,182,805</u>	<u>(2.3)</u>
<u>Fund Sources</u>					
General Fund	\$16,828,429	\$17,088,100	\$17,002,172	\$16,909,574	0.0
State Special	781,567	795,961	836,132	843,040	6.4
Federal Revenue	1,093,799	1,147,228	1,137,988	1,160,949	2.5
Proprietary Fund	<u>36,241,486</u>	<u>40,930,071</u>	<u>37,099,894</u>	<u>37,269,242</u>	<u>(3.6)</u>
Total Funds	<u>\$54,945,279</u>	<u>\$59,961,360</u>	<u>\$56,076,186</u>	<u>\$56,182,805</u>	<u>(2.3)</u>

The Department of Revenue administers a body of revenue producing statutes. Specifically, it: (1) administers tax law to assure that each taxpayer pays the proper tax due; (2) collects taxes and debts due the state; (3) administers the system governing the sale and distribution of liquor within the guidelines set by the legislature, providing an acceptable level of service to the public while maintaining the required degree of control; (4) enforces the obligation of parents to support their children; (5) investigates instances of welfare and medicaid fraud and prepares cases for prosecution to provide a maximum deterrent effect; and (6) oversees the statewide appraisal of real property in the state.

General fund expenditures remain at current level from fiscal 1984 to fiscal 1986.

Property Assessment

The major issue in the Department of Revenue is in the Property Assessment Division. State law requires that the current cycle of reappraisal be completed by January 1986. The department is predicting it will not be able to complete reappraisal by the deadline without substantial help in the form of reappraisal clerks. The department also requested substantial increases in its budget to pay

for costs associated with the county assessor's offices.

Child Support

Recent proposed federal legislation could substantially change the laws governing the collection of delinquent child support payments. The legislation could also change the federal participation of funding in the Child Support Program.

DIRECTOR'S OFFICE

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E.	7.50	4.50	7.50	7.50	25.0
Personal Service	\$245,552	\$185,740	\$255,502	257,029	18.8
Operating Expense	156,355	57,114	227,919	94,395	51.0
Equipment	6,895	-0-	367	118	(93.0)
Inflation	-0-	-0-	1,762	3,339	--
Total Operating Costs	\$408,802	\$242,854	\$485,550	\$354,881	29.0
Non-Operating Costs	11,086	-0-	-0-	-0-	(100.0)
Total Expenditures	<u>\$419,888</u>	<u>\$242,854</u>	<u>\$485,550</u>	<u>\$354,881</u>	<u>26.8</u>
<u>Fund Sources</u>					
General Fund	\$304,832	\$165,065	\$369,536	\$263,728	34.7
State Special	93,148	74,560	88,428	88,317	5.4
Proprietary Fund	21,908	3,229	27,586	2,836	21.0
Total Funds	<u>\$419,888</u>	<u>\$242,854</u>	<u>\$485,550</u>	<u>\$354,881</u>	<u>26.8</u>

<u>ISSUE: Cost (Savings)</u>	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Line Item of Legal Fees	N/A	N/A	N/A	N/A

The Director's Office supervises and coordinates the activities of all divisions within the department.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Pudget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	4.5	7.50	(3.0)
Personal Services	\$186,429	\$245,552	\$(59,123)
Operating Expenses	62,991	71,131	(8,140)
Legal Fees	35,000	20,892	14,108
Audit	105,000	64,332	40,668
Equipment	<u>5,969</u>	<u>6,895</u>	<u>(926)</u>
Total Operating Costs	\$395,389	\$408,802	\$(13,413)
Non-Operating Costs	<u>14,000</u>	<u>11,086</u>	<u>2,914</u>
Total Expenditures	<u>\$409,389</u>	<u>\$419,888</u>	<u>\$(10,499)</u>
<u>Funding</u>			
General Fund	\$271,564	\$304,832	\$(33,268)
State Special	116,597	93,148	23,449
Proprietary Fund	<u>21,228</u>	<u>21,908</u>	<u>(680)</u>
Total Funds	<u>\$409,389</u>	<u>\$419,888</u>	<u>\$(10,499)</u>

Three FTE and related budgeted costs of \$82,362 were transferred from the Centralized Services Division. These positions were a training officer, a personnel officer, and a personnel technician. In addition two of those FTE were upgraded, a training officer from a grade 12 to a grade 13 and a personnel officer from a grade 14 to a grade 15. At current salary levels the upgrades increased the budget by \$4,399.

Operating expenses were less than appropriated as only \$64,000 of the anticipated \$105,000 in audit fees were paid in fiscal 1984. In fiscal 1984 outside legal counsel was paid \$21,000 out of the biennial appropriation of \$35,000.

Current Level Adjustments

Legislative audit fees have increased from \$64,322 in fiscal 1984 to \$99,750 in fiscal 1986 as requested by the Legislative Auditor. Contract services for legal fees are included at \$35,000 in fiscal 1986 and as in the 1983 biennium, should be line-itemed as a biennium appropriation. Insurance and bond costs increased from \$31,900 to \$59,000 in fiscal 1986 and \$60,000 in fiscal 1987 as requested by the Department of Administration.

Current level expenditures that were reduced are: consultant and professional services by \$2,642, in-state aircraft travel by \$1,164, registration fees for training conferences by \$1,444, and miscellaneous items by \$197.

Funding

The state special revenue funds are from the state gasoline tax fund. Funding is set at approximately 12 percent of the Motor Fuels Division budget to help pay for the administrative costs provided by the department to the Motor Fuels Division.

The proprietary funding is for the Liquor Division's share of the biennial audit costs and payroll processing fees.

Issue 1: Line Item of Legal Fees

In the 1983 biennium, the legislature appropriated \$35,000 for the biennium for outside legal counsel and related fees in order that the department can obtain specialized services in cases of particular significance to the state's tax structure. The need for such service is unpredictable and therefore, the legislature made this a line-item in the budget.

Option a: Appropriate the \$35,000 in the current level budget for outside legal counsel and associated costs.

CENTRAL SERVICES

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	37.27	40.27	36.02	36.02	(7.1)
Personal Service	\$740,588	\$821,566	\$756,945	\$758,075	(3.0)
Operating Expense	89,688	107,302	88,627	88,627	(10.0)
Equipment	7,923	1,400	5,675	315	(35.7)
Inflation	-0-	-0-	3,982	8,190	--
Total Operating Costs	<u>\$838,199</u>	<u>\$930,268</u>	<u>\$855,229</u>	<u>\$855,207</u>	<u>(3.3)</u>
<u>Fund Sources</u>					
General Fund	\$833,198	\$924,563	\$849,179	\$848,807	(3.4)
Federal Revenue	5,001	5,000	5,300	5,600	8.9
Proprietary Fund	-0-	705	750	800	119.8
Total Funds	<u>\$838,199</u>	<u>\$930,268</u>	<u>\$855,229</u>	<u>\$855,207</u>	<u>(3.3)</u>

The Central Services Division provides administrative support services to the department such as accounting, auditing, payroll, and collections. The division also distributes wine taxes, beer taxes, and liquor taxes as provided by state statute to the counties, cities, and towns. In fiscal 1984, the liquor taxes

distributed were \$2.7 million.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	40.27	37.27	3.0
Personal Services	\$822,509	\$740,588	\$81,921
Operating Expenses	100,596	89,688	10,908
Equipment	8,965	7,923	1,042
Total Expenditures	<u>\$932,070</u>	<u>\$838,199</u>	<u>\$93,871</u>
<u>Funding</u>			
General Fund	\$926,390	\$833,199	\$93,191
Federal Revenue	5,000	5,000	-0-
Proprietary Fund	680	-0-	680
Total Funds	<u>\$932,070</u>	<u>\$838,199</u>	<u>\$93,871</u>

Three FTE and general fund of \$81,682 were transferred from this program to the directors office. When this transfer is taken into consideration \$849,708 was available for operations of which \$11,509 was not expended. Contract services were \$5,500 less than anticipated as Computer Services Division changes from the Department of Administration were approximately \$4,500 less than was budgeted. Communications was overspent by \$5,600. Travel was \$2,400 above the anticipated level.

Current Level Adjustments

A reduction of 1.25 FTE was made as the positions had been vacant all year and were still vacant as of September 30, 1984. These positions also related to the personnel function which was transferred to the director's office.

Operating expenses were maintained at current level except for the deletion of a one-time charge of \$1,057 for telephone services.

Central services is primarily funded from the general fund. Federal funds are provided for the division's support of the Child Support Program in the Legal and Investigation Program.

RESEARCH AND INFORMATION DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E.	49.50	53.50	49.50	49.50	(8.0)
Personal Service	\$ 986,037	\$1,117,381	\$1,042,178	\$1,044,142	(0.8)
Operating Expense	181,821	242,833	187,035	176,468	(14.4)
Equipment	58,046	65,889	26,775	26,775	(56.7)
Inflation	-0-	-0-	11,794	20,914	--
Total Expenditures	<u>\$1,225,904</u>	<u>\$1,426,103</u>	<u>\$1,267,782</u>	<u>\$1,268,299</u>	<u>(4.4)</u>
Fund Sources					
General Fund	\$ 901,744	\$1,107,189	\$ 950,735	\$ 951,162	(5.3)
Revolving Fund	<u>324,160</u>	<u>318,914</u>	<u>317,047</u>	<u>317,137</u>	<u>1.4</u>
Total Funds	<u>\$1,225,904</u>	<u>\$1,426,103</u>	<u>\$1,267,782</u>	<u>\$1,268,299</u>	<u>(4.4)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Computer Facility	N/A	N/A	N/A	N/A

The Research and Information Division provides support services of general research, computer systems development, programming, and data processing to the other department divisions.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	53.00	49.50	4.00
Personal Services	\$1,121,266	\$ 986,037	\$135,229
Operating Expenses	242,579	181,821	60,758
Equipment	<u>84,498</u>	<u>58,046</u>	<u>26,452</u>
Total Expenditures	<u>\$1,448,343</u>	<u>\$1,225,904</u>	<u>\$222,439</u>
Funding			
General Fund	\$1,123,855	\$ 901,744	\$222,111
Proprietary Fund	<u>324,488</u>	<u>324,160</u>	<u>328</u>
Total Funds	<u>\$1,448,343</u>	<u>\$1,225,904</u>	<u>\$222,439</u>

During fiscal 1984, four programming staff and funding of \$159,471 were transferred from this division to four other operating divisions in the department. Property assessment received 1 FTE, corporation tax received 1.67 FTE, miscellaneous tax received .67 FTE, and motor fuels tax received .66 FTE. The FTE remained at their same classification and grade level. Operating expenses were not fully utilized as a result of the following:

1. Data processing charges from the Department of Administration were \$25,990 less than budgeted.
2. Rent was underspent by \$43,800 as the data processing equipment was purchased for \$23,858. Correspondingly, repairs and maintenance for the equipment was overspent by \$16,134.

Current Level Adjustments

Printing was increased by \$11,349 in fiscal 1984 to produce the biennial report of the legislature that is required by state statute. Printing decreased to \$6,325 in fiscal 1987. The biennial report is to be made available to the Governor and upon request to each member of the legislature 20 days before the meeting of the legislature. This is a report showing all the taxable property of the state, counties, and cities and its value, in tabulated form, with recommendations for improvements in the system of taxation, together with measures as may be formulated for the consideration of the legislature. The department may include a report showing the selling price of gasoline at the wholesale level in prime market centers of Montana and in surrounding states during the biennium, with indexes tabulated at sufficient intervals to show the comparative state price structures.

Rent of data processing equipment was reduced by \$4,300 as a result of the equipment being purchased. One-time expenditures of \$626 for telephone and \$1,205 for other expenses were reduced.

Equipment includes continuing lease purchases of \$26,775 per year.

The proprietary funds come from the liquor fund and pay for the Liquor Division's share of computer processing, keypunching, and equipment costs.

Issue 1: Computer Facility

The last legislature authorized \$50,000 in fiscal 1984 and \$52,500 in fiscal 1985 to upgrade the division's computer facilities to allow processing (entry and edit) of reappraised data. The division told the legislature that approximately \$75,000 per year of fees paid to the Computer Services Division for processing of residential data could be saved; and thus, there would be a net savings of

\$25,000 per year. Equipment that would have been purchased was an IBM 8140 processor that the department claimed would increase their capacity to process data by 75 percent. Instead of buying the equipment, the department made a program transfer of the \$50,000 in fiscal 1984 to the Property Assessment Division to help that division pay for its processing charges for property reappraisals.

In its current level request for fiscal 1986, the division is requesting \$141,240 to upgrade the department-wide word processing system. Part of the equipment requested is an IBM 8150 processor which has double the processing capacity of the existing processors attached to the current word processing system. The property assessment division finished fiscal 1984 with a general fund balance of \$414,000. It is unlikely that they needed the \$50,000 transferred from the Research and Information Division to meet their fiscal 1984 expenditures or their fiscal 1985 pay plan.

LEGAL DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	69.5	68.50	68.50	68.50	(1.4)
Personal Service	\$1,456,674	\$1,510,039	\$1,609,245	\$1,612,147	8.5
Operating Expense	337,359	404,081	340,775	339,901	(8.2)
Equipment	155,125	13,325	47,204	37,858	(49.5)
Inflation	-0-	-0-	21,647	37,214	--
Total Operating Costs	\$1,949,158	\$1,927,445	\$2,018,321	\$2,027,120	4.3
Non-Operating Costs	92,953	120,000	155,000	160,000	47.9
Total Expenditures	<u>\$2,042,111</u>	<u>\$2,047,445</u>	<u>\$2,173,321</u>	<u>\$2,187,120</u>	<u>6.6</u>
<u>Fund Sources</u>					
General Fund	\$ 711,887	\$ 668,753	\$ 704,907	\$ 688,341	0.9
Federal Revenue	1,088,799	1,142,228	1,132,688	1,155,349	2.5
Revolving Fund	241,425	236,464	335,726	343,430	42.1
Total Funds	<u>\$2,042,111</u>	<u>\$2,047,445</u>	<u>\$2,173,321</u>	<u>\$2,187,120</u>	<u>6.6</u>

The Legal Division has four functions which are: (1) providing legal assistance to all programs in the department, (2) investigating welfare and medicaid fraud, (3) enforcing child support payments, and (4) enforcing of the states liquor laws. The division also passes federal funds through to county

attorneys for welfare and food stamp fraud prosecution.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	69.50	69.50	0.00
Personal Services	\$1,531,786	\$1,456,674	\$ 75,112
Operating Expenses			
Contract Services	125,875	45,014	80,861
Supplies and Materials	33,314	55,115	(21,801)
Communications	98,630	89,372	9,258
Travel	35,160	35,014	146
Rent	78,150	68,418	9,732
Repair and Maintenance	14,408	22,215	(7,807)
Other	11,438	18,490	(7,052)
 Total Operating Costs	 \$ 396,975	 \$ 333,638	 \$ 63,337
Equipment	21,160	155,125	(133,965)
Capital Outlays	-0-	1,916	(1,916)
Non-Operating Costs	120,000	91,036	28,964
 Total Expenditures	 <u>\$2,069,921</u>	 <u>\$2,038,389</u>	 <u>\$ 31,532</u>
<u>Funding</u>			
General Fund	\$ 667,445	\$ 711,876	\$(44,431)
Federal Revenue	1,160,956	1,085,088	75,868
Proprietary Fund	241,520	241,425	95
 Total Funds	 <u>\$2,069,921</u>	 <u>\$2,038,389</u>	 <u>\$ 31,532</u>
 <u>Additions:</u>			
Budget Amendments	-0-	\$ 3,708	\$ (3,708)

Contract services were not utilized for several reasons. First, the development of the new streamlined accounts receivable system authorized at \$40,000 in fiscal 1984 was not developed. Computer processing was \$13,500 less than anticipated last session. Paternity testing was not performed to the degree anticipated at a savings of \$9,400. Commissions paid to private credit bureaus were \$1,500 less than anticipated. There was a drop of \$9,000 from the anticipated costs of hiring hearings officers. Supplies show as being overspent. However, \$16,000 was miscoded and was contract services paid to the Unemployment Compensation Division in the Department of Labor to search and

match unemployment compensation claims with child support collections. Rent was not fully utilized because less office equipment was rented and building rent in the child support district offices were less than anticipated. Repairs was overspent because of unanticipated major repairs to autos. The other category was overspent in the area of registration fees for training conferences.

Equipment was overspent by \$133,965. Purchased was a child support enforcement accounts receivable and management system and associated data processing equipment.

Current Level Adjustments

Operating expenses increase \$2,866 from fiscal 1984 to fiscal 1986, a .9 percent increase. Contract services show a net increase of \$3,057. Computer processing fees in the Medicaid Fraud Bureau were increased by \$6,765 to a total of \$7,000 to allow for computer processing of SRS records to help identify potential fraud cases. Communications in child support was increased by \$2,500 for an accounting error. Repair and maintenance was increased by \$1,494 for maintenance on a new terminal and printer in the Medicaid Fraud Bureau. One-time remodeling costs of \$4,534 were removed from the base. Rent was increased by \$579 as the Helena-based child support personnel moved to the old livestock building with a small increase in the area they occupy.

Equipment funding allows for the replacement for four high-mileage autos in fiscal 1986 at a cost of \$34,000 and four high-mileage autos in fiscal 1987 at a cost of \$37,858. Office equipment include a portable printer in the Medicaid Fraud Bureau at \$1,500 in fiscal 1986 and office furniture of \$524 in the Investigation Bureau for fiscal 1986. A data processing terminal and printer for \$11,100 is included in fiscal 1986 to allow interfacing with the liquor information management system.

Federal funding of \$15,000 in fiscal 1986 and \$20,000 in fiscal 1987 was added so that the program may reimburse counties for their help in the prosecution of food stamp cases. Reimbursement to county attorneys of \$140,000 each year for child support assistance under the Uniform Reciprocal Enforcement of Support Act is included under local assistance.

Funding

The following table details the funding mix for the Legal Division.

Table 1
Funding Mix Legal Division

<u>General Fund</u>	<u>Fiscal 1984</u>	<u>Fiscal 1985</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
Legal Assistance	\$ 249,741	\$ 232,911	\$ 247,547	\$ 248,597
Investigation	100,695	98,256	74,202	76,213
Child Support	324,621	310,361	348,481	326,469
Medicaid Fraud	36,830	27,225	34,677	37,062
Total General Fund	<u>\$ 711,887</u>	<u>\$ 668,753</u>	<u>\$ 704,907</u>	<u>\$ 688,341</u>
<u>-----</u>				
<u>Federal Special Revenue</u>				
Legal Assistance	\$ 47,109	\$ 47,893	\$ 45,973	\$ 46,191
Investigation				
Operations	87,110	98,259	74,202	76,213
Non-Operating	-0-	-0-	15,000	20,000
Child Support				
Operations	755,429	767,604	753,483	761,762
Non-Operating	92,953	120,000	140,000	140,000
Medicaid Fraud	106,198	108,472	104,030	111,183
Total Federal Revenue	<u>\$1,088,799</u>	<u>\$1,142,228</u>	<u>\$1,132,688</u>	<u>\$1,155,349</u>
<u>-----</u>				
<u>Proprietary Fund</u>				
Legal Assistance	\$ 48,192	\$ 62,084	\$ 60,119	\$ 60,351
Investigation	193,233	174,380	275,607	283,079
Total Proprietary Fund	<u>\$ 241,425</u>	<u>\$ 236,464</u>	<u>\$ 335,726</u>	<u>\$ 343,430</u>
<u>-----</u>				
Total Funding	<u>\$2,042,111</u>	<u>\$2,047,445</u>	<u>\$2,173,321</u>	<u>\$2,187,120</u>

Child support is funded 30 percent general fund and 70 percent federal funds. The Welfare Fraud Program in the Investigation Bureau is funded 50 percent by federal and 50 percent general fund. Liquor investigations are funded 100 percent from liquor funds. Medicaid fraud is funded 75 percent federal funds and 25 percent general fund.

LIQUOR DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	252.58	252.58	216.08	216.08	(14.45)
Personal Service	\$ 3,876,069	\$ 4,635,111	\$ 4,394,141	\$ 4,401,224	3.3
Operating Expense	31,730,286	35,609,609	31,730,286	31,730,286	(5.7)
Equipment	47,636	126,039	-0-	-0-	(100.0)
Inflation	-0-	-0-	294,358	473,529	--
Total Expenditures	<u>\$35,653,991</u>	<u>\$40,370,759</u>	<u>\$36,418,785</u>	<u>\$36,605,039</u>	<u>(3.9)</u>
Fund Sources					
Proprietary Fund	<u>\$35,653,991</u>	<u>\$40,370,759</u>	<u>\$36,418,785</u>	<u>\$36,605,039</u>	<u>(3.9)</u>

The Liquor Division administers the state liquor licensing and retailing system. For the last three bienniums, the legislature has not exerted appropriation control over the division. For the 1981 and 1983 bienniums, the legislature mandated that not less than 15 percent of net liquor sales and not less than \$13 million be deposited by the division to the general fund. For the 1985 biennium, the mandate was removed and two goals were established that the division was to attempt to meet. Those two goals were to have a return of at least 13 percent of net sales and to limit operational expenses of the liquor merchandising system to not more than 15 percent of net sales.

The division also had full authority to determine store operating hours and the number and location of stores and employees. Unprofitable or marginally profitable state stores were to be closed or converted to agency stores in an orderly manner.

Liquor profits of \$5,782,000 were transferred to the general fund and \$10,519,533 of liquor excise taxes and licence taxes were distributed.

Fiscal 1984 Operating Results

In fiscal 1984 liquor profits earned were 12.93 percent of net sales. The general fund deposit was equal to 13.82 percent of net sales. Operational expenses were 14.94 percent of net sales. Ten stores were converted from state to agency stores and three stores were closed. The FTE level has been reduced by 36.50 FTE from 252.58 to 215.08 FTE.

During the 1983 legislative session, the division was told to proceed with a

point of sale system for the liquor stores. The point of sales system consists of electronic equipment that can capture and transmit sales information for each store. Store inventory is then automatically updated from sales recorded on the electronic equipment. That project has fallen behind schedule and is not expected to be completed until fiscal 1986.

Projections for the 1987 Biennium

For the past several years, dollar sales and unit sales have declined. The division has been able to increase overall net profit, however, by eliminating non-profitable stores. The department predicts that unit sales will continue to decline through fiscal 1987. Effective September 30, 1985, there will be an increase of 19.05 percent in federal excise tax on distilled spirits. The department projects that because of this increase, capital needs will increase by \$800,000 for inventories. The department states that offsetting this is a 9.6 percent increase in net sales. The net result will have a minimal impact on transfers made to the general fund.

Operating Goals for the 1987 Biennium

Option a: Continue the existing goals of returning at least 13 percent of net sales and limiting operational expenses of the liquor merchandising system to not more than 15 percent of net sales.

Option b: When the point of sale system becomes operational in fiscal 1986, more complete and timely information should be available to management. This should make the management of the liquor information system more efficient. This efficiency should result in an increase in profits. As a result of this efficiency, does the legislature want to raise the profit percentage requirement and lower the percentage of operating expenses in relation to net sales.

INCOME TAX

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	77.65	75.15	75.15	75.15	(3.2)
Personal Service	\$1,496,132	\$1,479,178	\$1,516,748	1,519,196	2.0
Operating Expense	578,403	695,768	622,949	622,949	(2.2)
Equipment	36,454	5,520	26,060	5,200	(25.5)
Inflation	-0-	-0-	33,822	57,834	--
Total Operating Costs	\$2,110,989	\$2,180,466	\$2,199,579	\$2,205,179	2.6
Non-Operating Costs	7,080	-0-	-0-	-0-	(100.0)
Total Expenditures	<u>\$2,118,069</u>	<u>\$2,180,466</u>	<u>\$2,199,579</u>	<u>\$2,205,179</u>	<u>2.5</u>
Fund Sources					
General Fund	\$2,112,296	\$2,180,466	\$2,193,153	\$2,198,335	2.3
State Special	<u>5,773</u>	<u>-0-</u>	<u>6,426</u>	<u>6,844</u>	<u>129.8</u>
Total Funds	<u>\$2,118,069</u>	<u>\$2,180,466</u>	<u>\$2,199,579</u>	<u>\$2,205,179</u>	<u>2.5</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Information Returns	\$(58,877)	-0-	\$(58,877)	-0-

The Income Tax Division is responsible for assessing, collecting, and auditing individual income tax returns.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

There are three major differences in operating expenses. First, a savings of \$23,625 in contract services for printing and \$48,131 for postage which were not utilized. These funds were appropriated for the purpose of printing and mailing written statements to all taxpayers receiving refunds. These funds were given to the department because they had informed the 1983 legislature that the state was subject to a \$50,000 fine by the federal government if this requirement was not met. The written statements were not provided to taxpayers in fiscal 1984 as the department was informed by the National Association of Tax Administrators that an amendment would be offered in congress to repeal the law.

The amendment failed. If the state doesn't comply with the federal law in fiscal 1985, it will be subject to a \$50,000 fine, as well as forced to comply with the law.

Second, it appears that the printing budget was over appropriated by \$41,000. Third, the telephone budget was overspent by \$15,000.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	77.65	77.65	0.00
Personal Services	\$1,523,853	\$1,496,132	\$ 27,721
Operating Expenses	666,062	578,403	87,659
Equipment	42,406	36,454	5,952
Total Operating Costs	\$2,232,321	\$2,110,989	\$121,332
Non-Operating Costs	-0-	7,080	(7,080)
Total Expenditures	<u>\$2,232,321</u>	<u>\$2,118,069</u>	<u>\$114,252</u>
<u>Funding</u>			
General Fund	\$2,225,683	\$2,112,296	\$113,387
State Special Revenue	6,638	5,773	865
Total Funds	<u>\$2,232,321</u>	<u>\$2,118,069</u>	<u>\$114,252</u>

Current Level Adjustments

Major increases in the budget are in the area of printing and postage costs so the division can comply with federal law concerning the preparing and mailing of information returns to those taxpayers that receive refunds. Postage was increased by \$38,000 and printing was increased by \$20,877 for this activity. Equipment rent was increased by \$4,230 to continue rental agreements on data processing equipment. Repairs and maintenance was increased by \$3,852 on equipment that was purchased in fiscal 1983 and fiscal 1984 and was not on a maintenance contract for the full year. Reductions to current level include \$4,000 for microfiche as the agency has on-line access to files. Remodeling and construction costs of \$11,321 were deleted. One-time data processing development costs of \$13,500 were also deleted.

Equipment for fiscal 1986 includes the replacement of an automobile with over 80,000 miles at \$8,520, a data processing terminal at \$850, a personal computer at \$3,500, a teleprinter at \$5,990, and a printer at a cost of \$7,200. Equipment for fiscal 1987 is data processing equipment for \$5,200.

Issue 1: Information Returns

The last legislature appropriated \$71,756 to the division so that it could comply with a new federal law requiring states to supply the federal government and the taxpayers with information returns on state refunds that the taxpayers received. The division told the legislature that the state would be subject to a \$50,000 fine if it did not comply. The state did not comply and has not been fined the \$50,000. The pay plan allows programs to carry over unspent fiscal 1984 authority to fiscal 1985 to fund the pay plan. This amounts to \$113,387 of general fund for the Income Tax Division. However, \$71,756 of this carryover is from money specifically given to the division to comply with the federal law and mail information returns.

Two issues are to be discussed. First, did the Department of Revenue place the state in a compromising position by not complying with federal law and second, should the legislature consider a line-item in the fiscal 1986 and 1987 appropriation for the purpose of complying with the federal law.

Option a: Fund the agency request of \$58,877 in both fiscal 1986 and 1987 for preparing and mailing the information returns.

Option b: Line item the amount in Option a.

Option c: Do not fund the request.

NATURAL RESOURCES AND CORPORATION TAX DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	31.29	29.00	31.66	31.66	5.00
Personal Service	\$ 764,721	\$ 732,578	\$ 830,285	\$ 831,099	10.9
Operating Expense	282,987	346,588	315,081	325,583	1.7
Equipment	8,581	1,000	4,419	4,150	(10.5)
Inflation	-0-	-0-	9,055	15,992	--
Total Expenditures	<u>\$1,056,289</u>	<u>\$1,080,166</u>	<u>\$1,158,840</u>	<u>\$1,176,824</u>	<u>9.3</u>
<u>Fund Sources</u>					
General Fund	\$1,042,987	\$1,080,166	\$1,135,238	\$1,152,815	7.7
State Special	<u>13,302</u>	<u>-0-</u>	<u>23,602</u>	<u>24,009</u>	<u>257.9</u>
Total Funds	<u>\$1,056,289</u>	<u>\$1,080,166</u>	<u>\$1,158,840</u>	<u>\$1,176,824</u>	<u>9.3</u>

The Natural Resources and Corporation Tax Division administers the state's resource severance taxes, other natural resource related taxes, and the

corporation income and license tax. Authorization was given in House Bill 447 to transfer the duties of the Oil and Gas Commission in the Department of Natural Resources to the Department of Revenue. A .63 FTE and funding of \$73,302 was transferred in fiscal 1984 to fulfill those duties for part of the year. A full FTE was transferred in fiscal 1985 to assume full duties.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	29.00	31.29	(2.29)
Personal Services	\$ 734,710	\$ 764,721	\$(30,011)
Operating Expenses	317,148	282,987	34,161
Equipment	<u>1,750</u>	<u>8,581</u>	<u>(6,831)</u>
Total Expenditures	<u>\$1,053,608</u>	<u>\$1,056,289</u>	<u>\$(2,681)</u>
<u>Funding</u>			
General Fund	\$1,053,608	\$1,042,987	\$ 10,621
State Special	<u>-0-</u>	<u>13,302</u>	<u>(13,302)</u>
Total Funds	<u>\$1,053,608</u>	<u>\$1,056,289</u>	<u>\$(2,681)</u>

A total of 1.68 programming positions and funding were transferred from the Research and Information Division. The change was made to provide increased productivity by bringing support and operating staff closer together. Contract services were less than anticipated by \$6,900 in data processing services and travel was \$41,700 less than anticipated. Books and reference materials were \$3,300 more than anticipated. Local telephone service was \$3,600 more than anticipated and calls over the state telephone system were \$1,800 more than anticipated. Repairs were \$3,800 more than anticipated due to one-time remodeling costs not planned for.

Current Level Adjustments

Contract services increased \$11,358 as a result of increased membership dues and audit fees charged by the Multistate Tax Commission. The following table details membership fees to the Multistate Tax Commission, assessments and collections from the commission from the past three years.

Table 1
Multistate Tax Commission, Dues, Assessments and Collections
Fiscal 1982-Fiscal 1987

	<u>Fiscal '82</u>	<u>Fiscal '83</u>	<u>Fiscal '84</u>	<u>Fiscal '86</u>	<u>Fiscal '87</u>
Dues	\$ 55,549	\$ 55,000	\$ 63,298	\$72,656	\$83,150
Cases	3	9	5	UNK	UNK
Assessments	\$919,780	\$585,597	\$360,422	UNK	UNK
Collections	\$916,627	\$130,220	\$351,118	UNK	UNK

The reason given by the division for the increase in dues is that the MTC is going to increase its staff auditors and add an attorney so they will be able to better serve the members of the MTC.

Computer charges were increased by \$25,000 for operation expenses of the new net and gross proceeds computer system authorized for development in fiscal 1985. Decreases include the elimination of \$3,800 in remodeling expense.

Equipment includes one personal computer for each year of the biennium at a cost of \$3,000 each, one CRT and stand each year at a cost of \$1,150, and a microfiche reader in fiscal 1986 at a cost of \$269.

PROPERTY ASSESSMENT DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	441.40	440.40	441.40	441.40	.11
Personal Service	\$ 8,667,264	\$ 8,372,551	\$ 8,675,634	\$ 8,688,564	1.9
Operating Expense	1,481,782	1,955,594	1,471,949	1,331,121	(18.4)
Equipment	345,813	224,740	99,644	201,388	(47.2)
Inflation	-0-	-0-	78,525	134,680	-0-
Total Expenditures	<u>\$10,494,859</u>	<u>\$10,552,885</u>	<u>\$10,325,752</u>	<u>\$10,355,753</u>	<u>(1.7)</u>
<u>Fund Sources</u>					
General Fund	<u>\$10,494,859</u>	<u>\$10,552,885</u>	<u>\$10,325,752</u>	<u>\$10,355,753</u>	<u>(1.7)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. County Expenses	\$ 450,000	-0-	\$450,000	-0-
2. Clerical Support				
Option a.	\$ 385,448	-0-	-0-	-0-
Option b.	\$ 285,072	-0-	-0-	-0-
Option c.	-0-	-0-	-0-	-0-
Option d.	\$(220,706)	-0-	-0-	-0-

The Property Assessment Division is responsible for the evaluation of real and personal property for the purpose of taxation. State law requires that property reappraisal be completed by January 1, 1986. The division has three bureaus--Property Assessment Administration; Property Assessment Helena; and Appraisers and Assessors.

Property Assessment Administration has 18 FTE and functions as the administrative overseer of the division. Property Assessment Helena has 14 FTE and is responsible for the appraisal of industrial property in the state. Appraisers and assessors has 409.4 FTE and is responsible for the residential, commercial, and agricultural appraisal of property. This budget also pays the salary and some operating expenses of the county assessor's office.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	440.4	441.4	(1.0)
Personal Services	\$ 8,385,209	\$ 8,667,264	\$(282,055)
Operating Expenses	2,216,902	1,481,782	735,120
Equipment	208,491	345,813	(137,322)
Total Costs & General Fund	<u>\$10,810,602</u>	<u>\$10,494,859</u>	<u>\$ 315,743</u>

Personal services were overspent as staffing was maintained at 100 percent. Operating expenses were not fully utilized for three reasons. First, the division had been appropriated \$250,000 for county computerization, including equipment and software. The division was able to accomplish this out of fiscal 1983's budget. Second, computer processing of reappraisal forms did not materialize in fiscal 1984. Third, the county assessors and county appraiser offices were told to cut back in all areas of operating expenses in fiscal 1984 in order to have enough carryover to fiscal 1985 for the pay plan. Equipment was overspent as 26 vehicles were purchased in fiscal 1984 to make up for the underpurchase of 10 vehicles from fiscal 1983.

Current Level Adjustments

Following are the major increases in the current level budget. Data processing storage fees were increased \$1,400 for on-line storage of timber appraisal data. Printing was increased by \$3,000 in fiscal 1986 for publishing the property appraisal rules in the Administrative Rules of Montana. Contract services of \$7,100 for hearings officers for expected appeals of property valuation was added for fiscal 1986. Data processing costs were increased by \$54,000 for fiscal 1986 for the updating of all property. Postage was increased by \$5,380 in fiscal 1986 to allow the department to notify the counties of law changes from the 1985 session and for notification of property value changes to taxpayers. An increase of \$41,000 was allowed in order that green guides, which contain the values of personal property could be placed in each county. Rent was increased in fiscal 1986 by \$3,000 to allow for two appraisers to be reassigned in Kalispell in order to complete field work in that area on time.

Following are the major decreases in the current level budget. Contract services were decreased by \$46,000 as a result of automation in county assessor offices and a decrease in the need for contract appraisers. Maintenance contracts overall show a reduction of \$21,700 as county automation has allowed the elimination of maintenance agreements on Addressograph and Burroughs posting

machines. Photographic supplies show a decrease of \$18,000 as a result of the completion of the appraisal cycle. Printing is reduced by \$12,500 for appraisal forms.

Equipment purchases include office equipment of \$46,944 in fiscal 1986 and \$45,168 in fiscal 1987. The division currently has 120 automobiles. The budget allows for replacement of six automobiles in fiscal 1986 at a cost of \$42,500 and 18 in fiscal 1987 at a cost of \$136,000.

Issue 1: County Expenses

The department has requested approximately \$450,000 in funding to help the counties defray operating expenses and to buy equipment in the assessors office. During the last legislature, the department was given substantial funding to help the counties with these expenses. However, when the counties were notified that they would have to show substantial savings in the area of these expenses to meet the pay plan or face layoffs in fiscal 1985, the counties were able to reduce the expenditures and do without the item requested.

Does the legislature want to fund these county expenditures at the level requested, with no strings attached, or fund these county expenditures at the level requested and request that the counties reduce their assessments to the county taxpayers by a like amount or keep the funding to the counties at the current level.

Option a: Fund the counties operating expenses. This will cost \$450,000 each year of the biennium.

Option b: Fund the counties operating expenses, but require a reduction in local support.

Option c: Do not fund the request.

Issue 2: Clerical Support for Reappraisal

The department is projecting that all field work associated with reappraisal will be completed by July 1, 1985. They predict that there will be a 39,100 hour backlog of clerical work remaining on January 1, 1986, and that they will need an additional 40 FTE clerical staff to process the workload before the January 1, 1986 deadline for completing property reappraisal the department is requesting that they be allowed to keep the additional 40 FTE until March 1, 1986 to help tie up all loose ends. The division currently has 79.2 FTE classified as appraisal clerks.

Option a: Authorize the 40 FTE appraisal clerks for the time period of July 1, 1985 to March 1, 1986 at a cost of \$385,448.

Option b: Authorize the 40 FTE appraisal clerks for the time period of July 1, 1985 to December 31, 1985 at a cost of \$285,072.

Option c: The department has 120 appraisers. Forty of these appraisers could be assigned to the clerical work for a period of six to eight months to help with the clerical backlog. Although the reappraisal cycle is five years, previous reports on the division activities indicate that the current appraisal cycle did not show any measurable result until January of 1982. Therefore, the appraisers were able to complete their assigned functions in three and one-half years. This means that the next cycle would not be put behind by utilizing 40 appraisers to do the clerical functions. There would still be 80 appraisers available to process new construction and to work on appeals. This option may also require fewer than 40 appraisers to be reassigned as appraisers are familiar with the system, would not have to be trained, and would therefore, be more proficient than the new appraisal clerks. The cost of this option is zero.

Option d: Reduce the appraisers by 40 and hire appraisal clerks. The use of appraisers in Option c would be an inefficient use of grade 12 or grade 13 appraisers. Appraisal clerks could be hired at grade 6 on a temporary basis. The cost savings to the general fund for this option is \$210,706 for a six month period.

MISCELLANEOUS TAXES

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	19.32	18.65	19.32	19.32	3.50
Personal Service	\$391,939	\$390,141	\$436,863	\$437,818	11.8
Operating Expense	89,199	80,022	82,620	74,765	(6.9)
Equipment	9,396	5,163	22,223	-0-	52.6
Inflation	-0-	-0-	2,744	5,386	--
Total Expenditures	<u>\$490,534</u>	<u>\$475,326</u>	<u>\$544,450</u>	<u>\$517,969</u>	<u>9.9</u>
Fund Sources					
General Fund	\$426,626	\$409,013	\$473,672	\$450,633	10.6
State Special	<u>63,908</u>	<u>66,313</u>	<u>70,778</u>	<u>67,336</u>	<u>6.1</u>
Total Funds	<u>\$490,534</u>	<u>\$475,326</u>	<u>\$544,450</u>	<u>\$517,969</u>	<u>9.9</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. 2 FTE Auditors	-0-	\$62,983	-0-	\$61,009

The Miscellaneous Tax Division is responsible for the proper receipt and auditing of taxes related to contractors' licenses, store licenses, cigarette and tobacco product sales, abandoned property, and inheritance taxes.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	18.65	19.32	(.67)
Personal Services	\$390,682	\$391,939	\$(1,257)
Operating Expenses	74,637	89,199	(14,562)
Equipment	<u>26,353</u>	<u>9,396</u>	<u>16,957</u>
Total Expenditures	<u>\$491,672</u>	<u>\$490,534</u>	<u>\$ 1,138</u>
Funding			
General Fund	\$426,170	\$426,626	\$ (456)
State Special	<u>65,502</u>	<u>63,908</u>	<u>1,594</u>
Total Funds	<u>\$491,672</u>	<u>\$490,534</u>	<u>\$ 1,138</u>

The program started the year with 18.65 FTE. A .67 FTE programmer and associated costs of \$13,012 was transferred into miscellaneous tax from the Research and Information Division. When this transfer is considered personal services were underspent by \$11,489, operating expenses were overspent by \$14,343 and equipment budgeted was not fully utilized by \$17,004.

The major differences in operating expenses were caused by overspending in printing by \$15,000, overspending in communications by \$4,700, and less travel by \$5,966. Equipment authorized but not purchased was a car for \$7,490, office equipment for \$3,400, and the word processor purchased cost \$6,000 less than anticipated.

Current Level Adjustments

Consultant and professional services were reduced by \$9,731 for a contract that was paid for training the division's staff on technical guidance concerning unclaimed property reporting requirements, authorized charges, and auditing techniques.

Printing was reduced in fiscal 1987 by \$7,400 for the printing of store license tax forms that are printed every other year. Travel expenses were increased by \$3,300 to allow for more out-of-state audit activity. Gasoline was increased by \$500 to allow for the purchase of gas for one more vehicle added in fiscal 1986. One time expenditures were reduced in the following categories: telephone, \$706; buildings and grounds, \$1,244; relocation, \$863; recruiting, \$524.

Equipment added was an automobile in fiscal 1986 for \$9,500 and data processing equipment at a cost of \$12,723 in fiscal 1986. The data processing equipment will allow the automation of the inheritance tax auditing and tax certificate preparation function.

Funding for this program is provided by the general fund, unclaimed property state special revenue fund, and the cigarette enforcement state special revenue fund.

Issue 1: Unclaimed Property - Two Auditors

In fiscal 1984 the Miscellaneous Tax Division initiated an audit program of financial institutions on unclaimed property. A current staff auditor from the division's other audit programs was used for the new program. The division is requesting 2 FTE auditors to concentrate full-time on the new audit program. Prior to fiscal 1984, the unclaimed property function of the division was limited to

a clerical function of maintaining records of unclaimed property.

The division estimates that 17 audits per year can be completed. This covers 5 percent of the 323 financial institutions in Montana. The division estimates that an additional \$225,000 in revenue will be generated each fiscal year. The money collected in the Unclaimed Property Program is by law deposited to the public school non-expendable trust fund of the state.

Option a: Authorize the 2 FTE auditor positions and require the division to maintain workload statistics and audit results so the legislature may review the results of the new program. Costs to the unclaimed property state special revenue fund are \$62,983 in fiscal 1986 and \$61,009 in fiscal 1987.

MOTOR FUELS TAX

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	27.92	29.00	26.17	26.17	(8.1)
Personal Service	\$504,700	\$543,255	\$533,305	\$534,342	1.8
Operating Expense	100,266	111,833	100,702	100,702	(5.0)
Equipment	470	-0-	6,344	10,838	3,555.7
Inflation	-0-	-0-	6,547	10,652	--
Total Expenditures	<u>\$605,436</u>	<u>\$655,088</u>	<u>\$646,898</u>	<u>\$656,534</u>	<u>3.4</u>
<u>Fund Sources</u>					
State Special	<u>\$605,436</u>	<u>\$655,088</u>	<u>\$646,898</u>	<u>\$656,534</u>	<u>3.4</u>

<u>ISSUE: Cost (Savings)</u>	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Automated Accounts Receivable	-0-	\$54,400	-0-	\$30,000

The Motor Fuels Tax Division is responsible for the proper receipt and auditing of the motor fuels taxes received by the state of Montana from both in-state and out-of-state taxpayers.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	27.25	27.92	.67
Personal Services	\$516,790	\$504,700	\$12,090
Operating Expenses	101,654	100,266	1,388
Equipment	500	470	30
Total Expenditures	<u>\$618,944</u>	<u>\$605,436</u>	<u>\$13,508</u>
<u>Funding</u>			
State Special Revenue	<u>\$618,944</u>	<u>\$605,436</u>	<u>\$13,508</u>

In addition to the authorized FTE level of 27.25 a .67 FTE programmer and associated funding of \$19,712 was transferred to motor fuels from the Research and Information Division. When the \$19,712 is added to the legislative amount authorized, the difference between budgeted and actual is \$33,220. The major reason for this difference is in personal services. The program was authorized 1.75 additional FTE in fiscal 1984 and 3.5 FTE in fiscal 1985 to handle the expected increase in workload as it was estimated the number of wholesale petroleum distributors would increase by 200 as a result of the passage of House Bill 290 last session. The workload did not materialize and the FTE were not hired.

Current Level Adjustments

The FTE level is reduced by 1.75 FTE to reflect the FTE used in the current level budget for fiscal 1984. Travel was increased by \$746 to reflect an 8 percent growth in the number of out-of-state filers who require audits.

Equipment authorized consists of a new vacuum sweeper, two new calculators each year of the biennium, a new word processing terminal at a cost of \$5,000 in fiscal 1986, and a new car for the traveling auditor in Missoula in fiscal 1987 at a cost of \$10,483.

Issue 1: Automated Accounts Receivable and Management Information System

The current system for tracking taxpayer accounts is with manual ledger cards. There are over 13,000 taxpayers that file quarterly returns. The division is currently one quarter behind in processing the returns and initiating collection action on delinquent payments. The last audit report on the department reported that 50 percent of the accounts tested contained errors in the calculation of interest and penalty payments.

According to the Motor Fuel Division, an automated system would have the following benefits:

1. Accounts receivable statements will be sent monthly instead of each quarter and accounts will be presented to bonding companies after 90 days as opposed to six months or more. This should improve collections because the taxpayers will tend not to delay making payments as they have in the past. They do not want to take the chance of forfeiting their bond and/or losing their permit to operate. The end result should also mean a lower accounts receivable balance and fewer write-offs due to bad debts.
2. The Motor Fuels Division will now have the capability of doing on-line retrieval of accounts for handling questions. The division will also maintain more accurate and timely data due to on-line processing. The benefits derived from these capabilities are improved public image and credibility of Motor Fuels Division.
3. With the event of accurate and timely data, audits will be much easier to perform. This may be measurable to some degree because audits can result in revenue for the division.
4. Management information would be available from this system and decisions can be made based on this data which will impact the policies and operation of the Motor Fuels Division.

The division has been requested to provide the legislature with workload statistics for the past four years and an estimate of the one-time increase in interest earnings that should result from the increased revenue due to lowering the accounts receivable. The division was also asked to be prepared to discuss possible FTE savings as a result of the efficiencies that should result from the system.

Option a: Approve the system at a cost of \$54,000 in fiscal 1986 and annual operating costs of \$30,000 for fiscal 1987. Require that records be maintained and that the division's report to the next legislature on the benefits derived from the system. These costs would be paid by the state gas tax.

DEPARTMENT OF HIGHWAYS

	<u>FTE FY '87</u>	- - - - 1987 Biennium - - - - <u>General Fund</u>	<u>Total Funds</u>
Executive Budget	1,985.75	-0-	\$638,374,363
LFA Current Level	<u>1,932.85</u>	<u>-0-</u>	<u>593,660,801</u>
Executive Over (Under) LFA	<u>==52.90</u>	<u>-0-</u>	<u>\$ 44,713,562</u>

The executive budget is \$44,713,562 over the current level analysis. This is due to 41.3 FTE and \$5,982,212 in modifications being included in the executive budget. Also, \$28,000,000 is included in the executive budget as transfer funds to local governments. This \$28,000,000 is covered by an existing statutory appropriation. The executive budget contains approximately \$11 million dollars more in operational costs than the current level analysis.

PRECONSTRUCTION

Issue 1: The executive budget contains \$322,232 over the current level analysis in the area of travel. The travel difference is due to the agency's anticipated centralization of right-of-way activities. Costs associated with right-of-way centralization are not included in the current level analysis.

Issue 2: The executive budget includes a modified request for 11 FTE in each year and spending authority to expand the Bridge Design Program. Costs associated with this modification total \$2,114,677 in fiscal 1986 and \$968,764 in fiscal 1987. This modified request is not included in the current level analysis.

CONSTRUCTION PROGRAM

Issue 1: The executive budget contains 41 FTE and \$1,099,755 more in personal services than the current level analysis. The current level analysis reduces FTE by 36 due to the large unexpended balance in fiscal 1984 personal services. The current level analysis does not transfer five right-of-way positions from the Preconstruction Program to the Construction Program.

Issue 2: The executive budget contains \$299,005 more in equipment than the current level analysis. The current level analysis leaves equipment at the 1985 biennium level.

MAINTENANCE PROGRAM

Issue 1: The executive budget contains \$258,943 more in contract services than the current level analysis. The major portion of this difference comes in two areas. The executive budget has increased the amount of anticipated expenditures to independent contractors over the 1984 level by approximately \$100,000 over the biennium and has included approximately \$100,000 over the biennium for specialized equipment.

Issue 2: The executive budget contains \$1,737,237 more than the current level analysis in repair and maintenance and \$1,343,583 more than the current level analysis in rent. The executive budget increases maintenance costs with the addition of a modified request. This request includes the purchase of gravel pits and additional caretaker services for rest areas. The current level analysis retains budgeted expenditures at current level.

EQUIPMENT PROGRAM

Issue 1: The executive budget contains \$1,598,398 more in the area of supplies than the current level analysis. The difference is due to the executive budget adding a store surcharge to supplies and using different inflation factors for gasoline and diesel fuel.

Issue 2: The executive budget contains \$743,000 more in equipment than the current level analysis due to the executive budget including modified equipment requests.

GENERAL OPERATIONS PROGRAM

Issue 1: The executive budget contains 4 FTE and \$148,641 more in personal services than the current level analysis. The current level analysis funds 3 FTE positions relating to the statewide budgeting and accounting system for only six months of fiscal 1986. This project was originally intended to be completed by the end of the 1985 biennium. The executive budget funds these 3 FTE for the full biennium. The executive budget also adds 1.5 FTE word processing technicians and 1 other FTE position to this program.

Issue 2: The executive budget contains \$79,763 more in travel than the current level analysis. The executive budget increases the travel budget by approximately 30 percent for the transfer of 13 positions to the General Operations

Program. The current level analysis also increases travel for this program but by a smaller amount.

GROSS VEHICLE WEIGHT

Issue 1: The executive budget contains \$118,573 more in travel than the current level analysis. Of this amount, \$54,418 is associated with a modified request for more GVW officers. The current level analysis does not include this modified request. The executive budget also includes additional funds over current level for enforcement exercises. The current level analysis retains travel at the fiscal 1984 level plus inflation.

MOTOR POOL

Issue 1: The executive budget contains \$109,047 over the current level analysis in the area of supplies and \$375,000 over the current level analysis for equipment. The difference in supplies is primarily in the area of gasoline inflation factors. The difference in the equipment portion of the motor pool budget is caused by a \$250,000 modification in fiscal 1986 in the executive budget for vehicle replacement. The current level analysis discusses some of the problems of the motor pool budget in the motor pool section of the highways analysis.

STORES INVENTORY PROGRAM

Issue 1: The executive budget is over the current level analysis in the areas of supplies by \$1,517,922, and repair and maintenance by \$1,035,795. The differences in these areas are primarily due to the executive budget increasing budgeted expenditures in the area of gasoline and diesel fuel and using different inflation factors.

DEPARTMENT OF HIGHWAYS

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	1930.36	1971.85	1934.35	1932.85	.08
Personal Service	\$ 46,840,651	\$ 50,677,591	\$ 50,074,296	\$ 50,167,708	2.7
Operating Expense	162,038,137	203,222,147	236,372,553	202,239,669	20.0
Equipment	5,860,036	4,906,336	5,439,345	5,391,045	.5
Inflation	-0-	-0-	1,916,816	3,233,314	--
Total Operating Costs	\$214,738,824	\$258,806,074	\$293,803,010	\$261,031,736	17.1
Non-Operating Costs	9,514,270	3,795,675	19,207,193	19,618,862	191.7
Total Expenditures	<u>\$224,253,094</u>	<u>\$262,601,749</u>	<u>\$313,010,203</u>	<u>\$280,650,598</u>	<u>21.9</u>
Fund Sources					
State Special	\$103,265,032	\$118,031,694	\$175,835,032	\$152,633,947	48.4
Federal Revenue	108,018,074	130,426,754	124,078,157	114,750,997	0.1
Proprietary Fund	12,969,988	14,143,301	13,097,014	13,265,654	(2.7)
Total Funds	<u>\$224,253,094</u>	<u>\$262,601,749</u>	<u>\$313,010,203</u>	<u>\$280,650,598</u>	<u>21.9</u>

The Montana Department of Highways is responsible for designing, constructing, maintaining, and regulating Montana's roads. To accomplish its task, the department is organized into a number of programs. These programs are preconstruction, responsible for planning roads up to the time projects are let; construction, responsible for letting and inspecting projects; maintenance, responsible for maintaining roads; equipment, responsible for supplying equipment needs of the department; gross vehicle weight, responsible for protecting the highways; general operations, responsible for support to other programs; service revolving, an internal group of bureaus such as printing which provides support to other programs; and the motor pool which provides vehicles to state agencies in Helena.

The costs increase 21.9 percent due primarily to an increase in contractor payments and non-operating expenses. The contractor payments are to continue the emphasis on rebuilding Montana's highways and completing the interstate system. The non-operating expenses are for land purchases, bond interest and principal payments.

The department funded its operation through a variety of sources in fiscal 1984. The major sources of funds were the Highway State Special Revenue

Account which consists primarily of gas and diesel taxes and the highway trust account which is the account through which Montana is reimbursed for highway construction by the federal government.

Not included in the main table are \$14 million in funds to be distributed to city and counties each year according to Section 15-70-101, MCA.

Funding

The 1983 legislature authorized the establishment of the reconstruction trust account. This account allowed monies to be spent on the federal-aid interstate, primary, and secondary highway systems without regard to distribution of other highway funds. Priority was to be given to those projects necessitated in whole or in part by the impact of mineral development. Funding for the 1985 biennium and for fiscal 1986 comes from 37½ percent of the monies received from the treasurer of the United States for the state's share of gas, oil, and other mineral royalties. Starting in fiscal 1987, 6 percent of coal severance tax collections also go into this account. Starting in the 1989 biennium, 12 percent of coal severance tax collections are allocated to the account. Any appropriated expenditures in excess of the revenues collected are to be funded from the gas tax account. Table 1 shows the activity in the account for the 1985 biennium and the current level analysis for the 1987 biennium without adding highway gas tax funds to the account.

Table 1
Highway Reconstruction Trust Account
1985 and 1987 Biennium

	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>
Beginning Balance	\$ 1,189,527	\$ 8,537,252	\$ 8,537,252	\$ -0-
Add: Revenues	8,969,324	9,776,563	10,460,423	17,511,229
Gas Tax Transfer	<u>-0-</u>	<u>5,992,886</u>	<u>24,135,129</u>	<u>25,293,026</u>
Total Available	\$10,158,851	\$24,306,701	\$43,132,804	\$42,804,255
Less: Expenses	<u>-1,621,599</u>	<u>-15,769,449</u>	<u>-43,132,804</u>	<u>-42,804,255</u>
FYE Balance	<u><u>\$ 8,537,252</u></u>	<u><u>\$ 8,537,252</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>

A total of \$55,421,041 will need to be transferred from the gas tax account over the next three years (fiscal 1985 to 1987) to fund the projects in the reconstruction trust account.

Table 2 shows the current level analysis of the highway general tax account for the 1985 and 1987 bienniums.

Table 2
Highway Gas Tax Account
1985 and 1987 Biennium

	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>
Beginning Fund Balance	\$ 40,803,508	\$ 54,250,350	\$ 72,188,887	\$ 63,447,145
Revenue	<u>100,908,701</u>	<u>105,748,637</u>	<u>110,534,189</u>	<u>107,704,175</u>
Total Funds Available	\$141,712,209	\$159,998,987	\$182,723,076	\$171,151,320
Disbursements				
Highway Traffic Safety	\$ 68,316	\$ 70,283	\$ 71,800	\$ 71,500
Department of Justice	6,232,839	5,974,698	6,152,531	6,151,750
Department of Highways	65,041,673	60,392,585	73,287,145	95,970,392
Department of Revenue	687,498	729,648	735,326	744,851
Department of Commerce	75,000	75,000	75,000	75,000
Pass Through to Counties and Cities	14,065,258	14,075,000	14,075,000	14,075,000
Transfer to RTF	-0-	5,992,886	24,135,129	25,293,026
Long-Range Building	652,456	500,000	744,000	744,000
Prior Year Adjustments	<u>638,819</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Disbursements	\$ 87,461,859	\$ 87,810,100	\$119,275,931	\$143,125,519
Ending Fund Balance	<u>\$ 54,250,350</u>	<u>\$ 72,188,887</u>	<u>\$ 63,447,145</u>	<u>\$ 28,025,801</u>

The \$28,025,801 balance going into the 1989 biennium would, at the 1987 expenditure level, fund 72 days of operations.

Montana Highway Revenue Bonds

The Montana Highway Revenue Bonds Act of 1983 provided for the financing of the cost of state highway and federal-aid highway projects through the issuance of highway revenue bonds secured by a pledge and appropriation of highway revenue. Approval was granted to issue up to \$150 million in bonds and/or notes. Because of market conditions, the department changed its original intent of a single issue of \$145 million in revenue bonds with a maturity of seven years.

On June 23, 1982, the Board of Examiners approved the sale of \$64 million in highway revenue bonds. These bonds were issued to finance the state's share of the costs of construction, reconstruction, and repair of various state projects and will be repaid from the department's revenue from fuels taxes and license fees. The maturity date on these bonds is 1990. In September 1983, the department issued \$39,075,000 in bond anticipation notes with a retirement date of March 1, 1986. These securities were issued to finance the cost of projects on the interstate system and are to be refinanced by a \$45 million revenue bond issue in March of 1985. The \$45 million will be repaid from the federal reimbursement under the Advanced Construction Interstate Program.

The Bonds Act of 1983 has the following provision.

Section 5. Pledge of highway revenues. All or any portion of highway revenues may be pledged to the payment of the principal, interest, and redemption premium, if any, on particular issues of state highway revenue bonds, and such pledge is and remains at all times a first lien and prior charge upon such pledged highway revenues credited to the highway revenue bond sinking account, subject to a first lien and charge in favor of certain highway bonds as provided in 17-5-507 and subject to the pledge of particular highway revenues to secure particular issues of highway revenue bonds.

Since there appears to be a possible long-term commitment of highway revenues to the retirement of the debt, the department should detail the long-term cash flow and debt projections for the department. This schedule of cash flow projections should, at a minimum, show the amount of new construction which can be let between fiscal 1987 and 1990, and the project liabilities at the end of fiscal 1990.

PRECONSTRUCTION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	225.00	225.00	238.00	238.00	5.8
Personal Service	\$ 5,474,843	\$ 6,151,093	\$ 6,503,174	\$ 6,514,038	11.9
Operating Expense	1,877,270	1,711,416	1,346,319	1,346,319	(24.9)
Equipment	50,409	5,084	5,084	5,084	(81.6)
Inflation	-0-	-0-	46,734	75,637	--
Total Operating Costs	\$ 7,402,522	\$ 7,867,593	\$ 7,901,311	\$ 7,941,078	3.7
Non-Operating Costs	<u>3,352,969</u>	<u>2,918,430</u>	<u>4,133,857</u>	<u>2,755,263</u>	<u>9.8</u>
Total Expenditures	<u>\$10,755,491</u>	<u>\$10,786,023</u>	<u>\$12,035,168</u>	<u>\$10,696,341</u>	<u>5.5</u>
<u>Fund Sources</u>					
State Special	\$ 3,698,420	\$ 3,775,107	\$ 5,421,838	\$ 4,835,588	37.2
Federal Revenue	<u>7,057,071</u>	<u>7,010,916</u>	<u>6,613,330</u>	<u>5,860,753</u>	<u>(11.3)</u>
Total Funds	<u>\$10,755,491</u>	<u>\$10,786,023</u>	<u>\$12,035,168</u>	<u>\$10,696,341</u>	<u>5.5</u>

The Preconstruction Program is responsible for completing all the activities relating to projects up to the time projects are let. These activities include designing projects, conducting public hearings, right-of-way purchases, and actual letting of projects. Of the \$10,755,491 expended in fiscal 1984, \$5,463,490 was spent for right-of-way. Of the \$5,463,490 expended on right-of-way, non-operating costs were 61 percent or \$3,352,969, personnel costs were \$1,655,772, and equipment was the balance.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	225.00	225.00	0.00
Personal Services	\$ 6,152,015	\$ 5,474,843	\$ 677,172
Operating Expenses	1,627,888	1,877,270	(249,382)
Equipment	<u>2,920</u>	<u>50,409</u>	<u>(47,489)</u>
Total Operating Costs	\$ 7,782,823	\$ 7,402,522	\$ 380,301
Non-Operating Costs	<u>3,877,449</u>	<u>3,352,969</u>	<u>524,480</u>
Total Expenditures	<u>\$11,660,272</u>	<u>\$10,755,491</u>	<u>\$ 904,781</u>
<u>Funding</u>			
State Special	\$ 4,081,095	\$ 3,698,420	\$ 382,675
Federal Revenue	<u>7,579,177</u>	<u>7,057,071</u>	<u>522,106</u>
Total Funds	<u>\$11,660,272</u>	<u>\$10,755,491</u>	<u>\$ 904,781</u>

The table indicates that more was spent in the areas of operating expenses and equipment than was anticipated. According to agency personnel, the difference in equipment is due to additional equipment purchased for designer staff who were added during the 1985 biennium. Non-operating costs, which consist primarily of land purchases and damage and condemnation payments, were less than anticipated due to the over estimating of land and condemnation payments. It should be noted that personal expenditures cannot be determined accurately because the department has included prior year reimbursements for personnel in fiscal 1984. This has reduced personal services costs by approximately \$450,000.

Current Level Adjustments

Fifteen positions relating to design and development of construction projects are transferred to the Preconstruction Program from the Construction Program. Four positions were transferred to the General Operations Program. Two positions, an attorney and legal secretary, were transferred to the Preconstruction Program from the General Operations Program.

Contract Services are reduced at the agency's request by \$501,655. The majority of this decrease is in the area of consultant and professional services. Other reductions primarily requested by the agency totaled \$45,634. Photographic services which relate to the 1986 and 1987 Construction Program were increased \$16,338.

The following table compares right-of-way Bureau non-operating expenses from fiscal 1982 through 1984 and the department's requested non-operating expenses for fiscal 1986 and fiscal 1987.

Table 3
Right-of-Way Non-Operating Expenses

Expenditure Item	Actual			Current Level	
	FY 82	FY 83	FY 84	FY 86	FY 87
Land	\$ 901,908	\$1,147,314	\$1,313,881	\$1,327,325	\$ 873,914
Permit Fees	-0-	-0-	1,762	-0-	-0-
Payment for Damages	767,359	917,830	1,074,638	830,000	483,696
Land by Condemnation	1,390,769	1,503,703	591,162	1,160,000	677,175
Family & Business Relocation	51,453	67,860	172,903	120,000	75,000
Deed and Mortgage Fees	5,767	5,268	5,316	7,920	5,148
Land Owners Court Cases	163,366	220,305	119,734	116,000	67,718
Interest on Condemnation Property	-0-	154,327	70,306	70,307	70,307
General	4,179	7,930	2,304	2,305	2,305
Other Improvements	<u>310,155</u>	<u>1,335</u>	<u>963</u>	<u>500,000</u>	<u>500,000</u>
Total	<u>\$3,594,951</u>	<u>\$4,025,872</u>	<u>\$3,352,969</u>	<u>\$4,133,857</u>	<u>\$2,755,263</u>

CONSTRUCTION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	608.76	650.25	592.25	592.25	5.9
Personal Services	\$ 13,652,885	\$ 16,202,148	\$ 15,273,152	\$ 15,326,848	2.4
Operating Expense	117,869,238	152,704,496	192,844,830	158,622,206	29.8
Equipment	125,739	32,700	69,288	69,288	(12.5)
Inflation	-0-	-0-	195,705	317,186	--
Total Operating Costs	\$131,647,862	\$168,939,344	\$208,382,975	\$174,335,528	27.3
Non-Operating Costs	464,993	-0-	-0-	-0-	(100.0)
Total Expenditures	<u>\$132,112,855</u>	<u>\$168,939,344</u>	<u>\$208,383,975</u>	<u>\$174,335,528</u>	<u>27.1</u>
Fund Sources					
State Special	\$ 32,431,054	\$ 46,949,407	\$ 92,907,142	\$ 67,437,431	102.0
Federal Revenue	<u>99,681,801</u>	<u>121,989,937</u>	<u>115,475,833</u>	<u>106,898,097</u>	<u>.3</u>
Total Funds	<u>\$132,112,855</u>	<u>\$168,939,344</u>	<u>\$208,382,975</u>	<u>\$174,335,528</u>	<u>27.1</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Overestimating Projects	-0-	\$(18,690,930)	-0-	\$(15,266,598)

The Construction Program is responsible for assuring that roads and bridges are constructed or reconstructed to meet the needs of Montana's citizens. The reconstruction and construction work is done by private contractors on a bid basis. Personnel in the program are responsible for monitoring the work of the private contractors. Personnel working in the Construction Program are located at 11 construction sections and at the department's headquarters in Helena. Non-operating costs in fiscal 1984 were for agent fees associated with issuing the highway general obligation bonds.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	608.76	608.76	0.00
Personal Services	\$ 15,376,522	\$ 13,652,885	\$ 1,723,637
Operating Expenses	8,002,154	5,745,185	2,256,969
Contractor Payments	135,395,265	112,124,053	23,271,212
Equipment	35,478	125,739	(90,261)
Total Operating Costs	\$158,809,419	\$131,647,862	\$27,161,557
Non-Operating Costs	-0-	464,993	(464,993)
Total Expenditures	<u>\$158,809,419</u>	<u>\$132,112,855</u>	<u>\$26,696,564</u>
<u>Funding</u>			
Highway Special Revenue	\$ 11,896,196	\$ 18,255,633	\$ (6,359,437)
Highway Reconstruction	8,720,742	1,520,930	7,199,812
Highway Bond Proceeds	12,724,558	11,570,752	1,153,806
Highway Trust	122,977,523	99,681,801	23,295,722
Coal Area Highway Impr.	2,490,400	1,083,739	1,406,661
Total Funds	<u>\$158,809,419</u>	<u>\$132,112,855</u>	<u>\$26,696,564</u>

In fiscal 1984, the program expenditures were 83 percent of the appropriation. Personal services were 89 percent of the budget, operating expenses were 72 percent, and contractor payments were 83 percent of the budget.

Current Level Adjustments

In fiscal 1984, the Construction Program spent 11.7 percent or \$1,723,637 less in personal services, with no pay plan funds, than was anticipated. Factoring in funds needed for the pay plan, this was equivalent to approximately 89 vacant FTE positions. The authorized FTE level increased 41.49 FTE from 608.76 in fiscal 1984 to 650.25 in fiscal 1985. Even with the numerous vacancies in fiscal 1984, the current level analysis only reduces the fiscal 1985 authorized FTE level by 36 FTE. These 36 FTE were deleted because they were vacant all of fiscal 1984. Thirty-six positions consisting of 17 engineering technicians, six civil engineers, three project managers, two designers, one drafter, and seven other positions were deleted from the 1985 FTE level. Transferred from the Construction Program to the Preconstruction Program were four civil engineers, six positions relating to design and five draftsmen. Eight positions relating to safety, training, and civil rights compliance were transferred from the Construction Program to the General Operations Program. One position, a lab technician, was transferred to the Construction Program from the Service Revolving Program.

Costs associated with the Safety Demonstration and Safety Unit have been transferred to general operations. A one-time expenditure for printing costs and agent fees associated with the bond anticipation notes have been deleted.

Contractor Payments

The following table presents the agency's requested contractor payments associated with the 1987 biennium. In fiscal 1986, \$186,909,301 is requested and in fiscal 1987, \$152,655,986 is requested.

Table 4
Department of Highways Contractor Payments
Road Construction

----- Fiscal Year 1986 -----						
	<u>Bond 1</u>	<u>Bond 2</u>	<u>Federal</u>	<u>Recon Trust</u>	<u>Earmarked</u>	<u>Total</u>
Interstate	\$ 6,871,079	\$22,984,973	\$ 51,449,611	\$ -0-	\$2,591,327	\$ 83,896,990
Primary	7,386,691	-0-	26,620,798	2,400,000	94,619	36,502,108
Secondary	2,216,730	-0-	8,115,050	-0-	-0-	10,331,780
Urban	1,052,169	-0-	3,937,944	-0-	475,128	5,465,241
Bridge Repl	1,663,230	-0-	6,335,935	5,581,643	-0-	13,580,808
Highway Haz	61,710	-0-	5,714,987	4,728,692	1,686,099	12,191,488
Off System	-0-	-0-	-0-	24,940,886	-0-	24,940,886
Total	<u>\$19,251,609</u>	<u>\$22,984,973</u>	<u>\$102,174,325</u>	<u>\$37,651,221</u>	<u>\$4,847,173</u>	<u>\$186,909,301</u>
----- Fiscal Year 1987 -----						
Interstate	\$ -0-	\$ -0-	\$44,100,328	\$ -0-	\$10,990,067	\$ 55,090,395
Primary	-0-	-0-	25,691,960	4,513,450	6,753,379	36,958,789
Secondary	-0-	-0-	6,180,517	-0-	1,708,233	7,888,750
Urban	-0-	-0-	2,604,357	-0-	719,845	3,324,202
Bridge Repl	-0-	-0-	8,922,011	9,233,515	2,232,188	20,387,714
Highway Haz	-0-	-0-	4,651,529	9,462,683	1,516,837	15,631,049
Off System	-0-	-0-	-0-	13,385,087	-0-	13,385,087
Total	<u>-0-</u>	<u>-0-</u>	<u>\$92,150,702</u>	<u>\$36,594,735</u>	<u>\$23,920,549</u>	<u>\$152,665,986</u>

Table 5 indicates contractor payments associated with projects to be let in fiscal 1986 and fiscal 1987. These figures are included in the totals in Table 1. The 1989 biennium liability associated with the new projects is \$69,752,376. The liability total for the 1989 biennium of both the requested projects and the existing projects is \$126,243,679.

Table 5
Projects to be let in Fiscal 1986 and Fiscal 1987
and Contractor Payments Associated with Those Projects
(Submitted by the Agency)

Project	FY 86-87 Letting Amount	Contractor Payments Fiscal 86	Contractor Payments Fiscal 87	1989 Biennium Liabilities
Interstate	\$ 15,002,181	\$ 2,500,000	\$ 8,872,892	\$ 3,629,289
Interstate 4R	73,434,883	21,938,000	40,108,181	11,388,702
Primary	56,993,561	5,264,017	31,462,071	20,267,473
Secondary	19,049,987	2,793,076	7,888,750	8,368,161
Urban	9,065,280	4,762,824	3,004,065	1,298,391
Bridge Replacement	23,285,571	4,905,370	11,045,291	7,334,910
Reconstruction Trust	63,212,630	12,687,306	33,063,263	17,462,061
Other	13,302,627	7,130,872	6,168,366	3,389
Total New Projects	\$273,346,720	\$ 61,981,465	\$141,612,879	\$ 69,752,376
Existing Projects	\$192,472,246	\$124,927,836	\$ 11,053,107	\$ 56,491,303
Total Projects	<u>\$465,818,966</u>	<u>\$186,909,301</u>	<u>\$152,665,986</u>	<u>\$126,243,679</u>

Interstate Construction

During the 1985 session, the legislature authorized the accelerated completion of the interstate. Senate Bill 454 authorized the sale of \$150 million in bonds to finance this program. Revenue generated from the sale of these bonds was placed into a separate account within the highway state special revenue fund. Interest earned on this account remains in the account to help retire the debt. Future federal funds were also anticipated to be used to retire the debt on the bonds.

The following tables show the department's estimated 1985 advanced interstate construction schedule as shown in the 1985 biennium Appropriations Book and the new estimated schedule for the 1987 biennium.

One project in Table 6, Lodge Grass-N, has been removed from the 1987 schedule shown in Table 7. This project will now be paid for with discretionary funds rather than the funds from bonds associated with the Advanced Construction Interstate Program. The table showing the 1987 biennium projects

indicates one new project, Butte North, and the alteration of another project, Armstead-Pipe Organ.

Table 6
Advanced Construction Interstate Program
1985 Biennium

Project	Letting	Estimated Bid Amount	Contractor Payments FY 1984	FY 1985	1987 Biennium Liabilities
Elk Park-N	1984	\$ 6,864,300	\$1,000,000	\$ 3,750,000	\$ 2,114,300
Bernice-Basin	1984	15,230,000	200,000	4,800,000	10,230,000
Bernice-South	1985	9,381,000		3,000,000	6,381,000
Springdale-W	1985	7,838,000			7,838,000
Sloway-Superior	1985	3,913,000			3,913,000
Lodge Grass-N	1985	3,478,000		1,000,000	2,478,000
Armstead-Pipe Organ	1985	5,652,000		750,000	4,902,000
Total		<u>\$52,356,300</u>	<u>\$1,200,000</u>	<u>\$13,300,000</u>	<u>\$37,856,300</u>

The following table indicates the department's estimated contractor payments for its Advanced Construction Interstate Program for the 1987 biennium

Table 7
Advanced Construction Interstate
1987 Biennium
(As Submitted by the Agency)

Project	Letting	Bid Amount	Contractor Payments FY 1986	FY 1987	1989 Biennium Liabilities
Elk Park-N	1984	\$ 7,113,340	\$ 1,888,986	\$ -0-	\$ -0-
Bernice Basin	1984	15,138,631	6,841,592	-0-	-0-
Bernice-South	1984	9,441,443	3,638,440	-0-	-0-
Springdale-W	1985	11,643,478	6,999,287	4,644,191	-0-
Sloway-Superior	1985	3,338,286	3,338,286	-0-	-0-
Pipe Organ-N (S. Sect.)	1986	5,629,289	-0-	2,000,000	3,629,289
Butte North	1985	5,463,550	4,000,000	1,462,550	-0-
Total		<u>\$57,768,017</u>	<u>\$26,706,591</u>	<u>\$8,106,741</u>	<u>\$3,629,289</u>

Issue 1: Overestimating Projects

On August 6, 1984, a letter was sent to the Department of Highways requesting that they detail, by project and funding source, contractor payments made in fiscal 1984. A reply explained that this data would have to be compiled manually and a task of that magnitude could not be undertaken at that time. Because project estimates are directly related to appropriations, the need for this information was deemed critical to an accurate review of the department's project costs estimates.

The difference in expenditures versus authorized contractor payments was explained by the department's director at the August 23rd Legislative Finance Committee meeting. The director stated:

The department had budgeted \$137 million for contractor payments and utility relocation costs for fiscal 1984. The 1984 amount expended is approximately \$113.7 million. Of the \$137 million figure, approximately \$83 million represents prior year contracts. We believe that a large portion of the shortfall in expenditures is due to awarded contracts being less than originally estimated, final project costs being less than contracted for, and a portion due to the fact that some of the contracts were let later in the year, causing less cash payments in fiscal 1984. The contractor payments will increase in 1985 to pick up the lag from 1984, and to meet the needs based on the 1984 lettings. (emphasis added)

To determine if overestimating was a significant problem a sample of projects was selected from the contract agency sheets of July 28, 1983 to June 18, 1984. Table 8 shows the sample projects selected. It can be seen that contractor payments associated with these projects were overestimated by approximately 10.3 percent.

Table 8
Projects Let Compared to Project Estimates

<u>Project + Name</u>	<u>Estimate</u>	<u>Let Amount</u>	<u>Difference</u>	<u>Percent</u>
Wyoming Line-North	\$ 8,696,000	\$ 7,261,180	\$1,434,820	16.5
Nashua North	1,376,000	1,370,816	5,184	0.0
Kagg Boulevard	1,874,800	1,785,195	89,605	4.8
Beavertail East	1,818,000	1,422,689	395,311	21.7
St. Regis East and West	10,435,000	7,466,868	2,968,132	28.4
Sunburst North	2,688,000	2,259,443	428,557	16.0
12 Miles So. of Rosebud	1,304,000	1,198,877	105,123	8.0
Freezout Lake	1,020,000	1,682,186	(662,186)	(36.0)
Elk Park-North & Bernice-South	<u>16,245,300</u>	<u>16,331,851</u>	<u>(86,551)</u>	<u>0.0</u>
Total	<u>\$45,457,100</u>	<u>\$40,779,105</u>	<u>\$4,677,995</u>	<u>10.3</u>

Table 9 shows the difference in the let amount and final payment of projects completed in fiscal years 1982, 1983, and 1984. The difference, although a small percentage, indicates that excess appropriation authority is gained not only at the initial estimate stage, but also at the final payment stage.

Table 9
Highway Contract Award Amount versus Final Cost

<u>Contract</u>	<u>Fiscal 1982</u>	<u>Fiscal 1983</u>	<u>Fiscal 1984*</u>
FY 84			
Let Amount	\$102,251,659	\$92,664,251	\$80,370,364
Final Cost	<u>98,264,031</u>	<u>90,162,020</u>	<u>79,484,378</u>
Difference	<u>\$ 3,987,628</u>	<u>\$ 2,502,974</u>	<u>\$ 885,986</u>
Percent Difference	<u>3.9</u>	<u>2.7</u>	<u>1.1</u>

*Nine months of data.

Based on past data, the department has overestimated project costs in aggregate by over 10 percent.

Option a: Require the department to submit semiannually a schedule which would detail project estimates used in the appropriations process to the let amount, the actual contractor payments relating to those projects by year, and the final cost of projects completed that year.

Option b: Reduce the contractor payments by 10 percent. This would be \$18,690,930 in fiscal 1986 and \$15,266,598 in fiscal 1987.

MAINTENANCE

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	662.83	662.83	662.83	662.83	0.00
Personal Service	\$16,595,014	\$17,813,684	\$17,413,257	\$17,452,150	1.3
Operating Expense	21,440,440	24,095,594	21,308,728	21,389,347	(6.2)
Equipment	172,147	26,854	76,436	76,436	(23.2)
Inflation	-0-	-0-	729,747	1,116,116	--
Total Operating Costs	\$38,207,601	\$41,936,132	\$39,528,168	\$40,034,049	(0.7)
Non-Operating Costs	11,366	-0-	-0-	-0-	(100.0)
Total Expenditures	<u>\$38,218,967</u>	<u>\$41,936,132</u>	<u>\$39,528,168</u>	<u>\$40,034,049</u>	<u>(0.7)</u>
<u>Fund Sources</u>					
State Special	<u>\$38,218,967</u>	<u>\$41,936,132</u>	<u>\$39,528,168</u>	<u>\$40,034,049</u>	<u>(0.7)</u>

<u>ISSUE: Cost (Savings)</u>	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Contract Maintenance	N/A	N/A	N/A	N/A

The Maintenance Program is responsible for managing and maintaining state highways and related facilities. Maintenance activities include the patching and repair of the highway surface, periodic sealing of highways, snow removal, and sanding. The Maintenance Program is 100 percent funded through the highway state special revenue fund.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	662.83	662.83	0.00
Personal Services	\$17,797,339	\$16,595,014	\$1,202,325
Operating Expenses	22,844,841	21,440,440	1,404,401
Equipment	44,398	172,147	(127,749)
Total Operating Costs	\$40,686,578	\$38,207,601	\$2,478,977
Non-Operating Costs	-0-	11,366	(11,366)
Total Costs & State Revenue	<u>\$40,686,578</u>	<u>\$38,218,967</u>	<u>\$2,467,611</u>

As shown in the table, major differences exist in personal services, operating expenses, and equipment. Personal costs of \$1,105,975 were transferred to the Stores Program for the gravel production operation. In the area of operating expenses, the difference is mainly for maintenance equipment rental. The major part of the overexpenditure in equipment is due to the purchase of two asphalt paving machines which cost \$41,000 each.

Current Level Adjustments

Adjustments in current level reduce operating expenses by \$131,712 or 0.6 percent. Most reductions are minor and reflect the department's request for removal of those expenses.

Issue 1: Contract Maintenance

In Utah, the Department of Transportation has tested the possibility of contracting out road maintenance. Funds for this test were appropriated by the legislature from the agency's current level budget. Type of work completed has been chip seal, plant mix seal, paint striping, and flush coat. Completed contracts in Utah total \$1,484,472. Snow removal contracts are being considered. A recent Utah legislative audit on the test concluded that "more highway maintenance contracting was recommended," and that "cost and quality comparisons indicate that private contractors can effectively compete with state crews."

Option a: Have the department test the idea of contracting maintenance. Costs for the test would be provided from the agency's current level budget.

Option b: Continue to have the state provide all maintenance.

EQUIPMENT

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	120.35	120.35	120.35	120.35	0.00
Personal Service	\$ 2,969,931	\$ 3,174,572	\$ 3,145,755	\$ 3,150,563	2.4
Operating Expense	4,467,492	5,843,384	4,417,694	4,430,498	(14.1)
Equipment	4,654,765	4,168,000	4,500,000	4,500,000	2.0
Inflation	-0-	-0-	18,163	209,580	--
Total Expenditures	<u>\$12,092,188</u>	<u>\$13,185,956</u>	<u>\$12,081,612</u>	<u>\$12,290,641</u>	<u>(3.5)</u>
<u>Fund Sources</u>					
State Special	\$ 2,589,974	\$ 2,568,000	\$ 2,537,138	\$ 2,581,034	(.7)
Proprietary Fund	<u>9,502,214</u>	<u>10,617,956</u>	<u>9,544,474</u>	<u>9,709,607</u>	<u>(4.3)</u>
Total Funds	<u>\$12,092,188</u>	<u>\$13,185,956</u>	<u>\$12,081,612</u>	<u>\$12,290,641</u>	<u>(3.5)</u>

The Equipment Program was incorporated with the Maintenance Program during the 1983 biennium. This program is responsible for the purchase, distribution, and maintenance of all highway equipment. Equipment is rented out to various programs within the highway department.

Equipment rental rates have been established for each classification of equipment. Each equipment rental rate is made up of a usage rate and an assigned time rate. A usage rate is a per mile or hourly rental rate that is applied to a piece of equipment only when it is in service on a specific job. An assigned time rate is an hourly rental rate that is applied to a piece of equipment for the normal use period the equipment is assigned to an area, whether the equipment is used or not. In fiscal 1984, approximately \$10,980,685 was generated through charges for equipment.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	120.35	120.35	0.00
Personal Services	\$ 3,178,681	\$ 2,969,931	\$ 208,750
Operating Expenses	5,239,455	4,467,492	771,963
Equipment	4,700,000	4,654,765	45,235
Total Expenditures	<u>\$13,118,136</u>	<u>\$12,092,188</u>	<u>\$1,025,948</u>
<u>Funding</u>			
State Special	\$ 3,100,000	\$ 2,589,974	\$ 510,026
Proprietary Fund	10,018,136	9,502,214	515,922
Total Funds	<u>\$13,118,136</u>	<u>\$12,092,188</u>	<u>\$1,025,948</u>

The above table indicates that 14.7 percent of the operating expenses were not utilized. The major portion of this difference was in the categories of gas and diesel fuel.

Current Level Adjustments

Contract services decrease \$56,629. This is primarily the result of decreases made at the agency's request in the area of consulting and professional services and computer processing. The computer processing decrease was made as the result of a profit in the Internal Services Program. Included in contract service adjustments was a \$37,805 increase in bonds and insurance. Other adjustments increased the base \$6,831.

Issue 1: Equipment

The 47th Legislature instructed the Department of Highways to conduct an equipment needs analysis in order to determine a realistic fleet size for the department. The 48th Legislature authorized a total of \$4,700,000 in fiscal 1984 and \$4,168,000 in fiscal 1985 for the purchase of new equipment. The equipment authorized was consistent with recommendations made in the equipment needs analysis. The following table shows the type and number of equipment items that were to be purchased and the type and number of equipment items purchased.

Table 10
Comparison of Equipment Needs Presented to 1983 Legislature and Actual
Fiscal 1984 Equipment Acquisitions

<u>Equipment</u>	<u>Estimated Purchases</u>	<u>Actual Purchases</u>	<u>Difference</u>
Dump Trucks	40	30	10
Loaders	16	16	0
Pickups	62	48	14
Passenger Vehicles	20	9	11
Snow Plows	36	43	(7)
Mowers	5	-0-	5
Brooms	4	9	(5)
Sanders	15	29	(14)

The reason given for the difference between estimated purchases and actual purchases was that an equipment planning and evaluation committee, established by the highway department in fiscal 1984, determined that needs were significantly different than those indicated in the Department of Highways needs analysis presented to the 1983 legislature.

The original equipment request made by the department was for \$4,500,000. On December 7, 1984, the department submitted a revised request that included an extra \$743,000. The department contends that this equipment list is based on data from the equipment management system. The equipment management system was designed to provide the department's equipment fleet managers with up-to-date information on equipment use, costs associated with use, and a repair history for each item in the equipment fleet. The purpose of this system is to provide timely management information which should provide the department a basis to develop equipment needs. At a meeting of the Legislative Finance Committee on August 23, 1984, it was stated that the system became operational in June 1984, but would not be used for budgeting until the 1989 biennium because of the lack of data. Funding for equipment has been included in the current level analysis at \$9 million for the biennium as shown in the following table.

Table 11
Highway Equipment Purchases - Fiscal 1986 and Fiscal 1987

<u>Dump Trucks</u>	<u>Qty.</u>	<u>Fiscal 1986 Estimated Cost</u>	<u>Fiscal 1987 Estimated Cost</u>
Tandems	10	\$ 550,000	\$ 550,000
Single Axle	30	1,050,000	1,050,000
H.D. Single Axle	7	315,000	315,000
Used Tractor (Tandem)	2	50,000	50,000
Total Dump Trucks		\$1,965,000	\$1,965,000
<u>Passenger Vehicles</u>			
Crew vehicles (6-Pass)	22	\$ 330,000	\$ 330,000
1-Ton Flatbeds w/Plow	10	130,500	130,500
3/4 Ton Pickups	10	85,000	85,000
1/2 Ton Pickups	43	342,000	342,000
Passenger Cars	9	72,000	72,000
Utility Vehicles	5	50,000	50,000
G.V.W. Cars	3	30,000	30,000
Total Passenger Vehicles		\$1,039,500	\$1,039,500
<u>Snow Removal</u>			
Plows (1-way, Rev)	49	\$ 171,500	\$ 171,500
V-Plows	2	14,000	14,000
Sanders	47	164,000	164,000
Snow Blower	1	65,000	65,000
Total Snow Removal		\$ 414,500	414,500
<u>Maintenance Equipment</u>			
Tar Pots	10	\$ 100,000	\$ 100,000
2500 Gal. Dist.	2	70,000	70,000
Tilt Bed Trailers	10	120,000	120,000
50 T Trailer	2	70,000	70,000
Rollers 5-8 Ton	6	126,000	126,000
Total Maintenance Equip.		\$ 486,000	\$ 486,000
<u>Motor Patrols</u>	5	\$ 350,000	\$ 350,000
<u>Special Asphalt</u>			
Screening Plants	4	\$ 80,000	\$ 80,000
Crack Sealers	2	15,000	15,000
Total Special Asphalt		\$ 95,000	\$ 95,000
<u>Special Equipment</u>			
Shop Tools and Scopes		\$ 150,000	\$ 75,000
Miscellaneous Needs		-0-	75,000
Total Special Equipment		\$ 150,000	\$ 150,000
TOTAL EQUIPMENT		<u>\$4,500,000</u>	<u>\$4,500,000</u>

STATE MOTOR POOL

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E.	6.00	6.00	6.00	6.00	0.00
Personal Service	\$146,130	\$139,257	\$136,289	\$136,651	(4.3)
Operating Expense	217,825	327,728	220,076	221,001	(19.1)
Equipment	294,075	203,700	300,000	275,000	15.5
Inflation	-0-	-0-	(1,980)	6,800	--
Total Expenditures	<u>\$658,030</u>	<u>\$670,685</u>	<u>\$654,385</u>	<u>\$639,452</u>	<u>(2.6)</u>
Fund Sources					
Proprietary Fund	<u>\$658,030</u>	<u>\$670,685</u>	<u>\$654,385</u>	<u>\$639,452</u>	<u>(2.6)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Rental Rates	-0-	\$(120,000)	-0-	\$(120,000)

The motor pool operates a fleet of 158 rental vehicles for state officials and employees in the Helena area. Seven other vehicles are on permanent loan to the Governor's Office and the Department of Highways. The fleet size is based on an average of demand plus one standard deviation. The motor pool has a policy of replacing vehicles that reach 75,000 miles. These vehicles are auctioned off through surplus property. The fee for the auction is 4 percent of the proceeds.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	6.00	6.00	0.00
Personal Services	\$138,632	\$146,130	\$ (7,498)
Operating Expenses	300,339	217,825	82,514
Equipment	280,100	294,075	(13,975)
Total Costs and Funding	<u>\$719,071</u>	<u>\$658,030</u>	<u>\$ 61,041</u>

Differences in operating costs were primarily caused by less being spent for gas than expected.

Current Level Adjustments

Bonds and insurance charges by the Department of Administration increase \$2,824.

Lease and Rental Rates

The motor pool operates as a proprietary fund generating its income through usage rates. These rates are per mile rental and lease rates. They are computed by dividing the previous year's total direct and indirect costs of a particular class of vehicles by the total miles of usage of that class of vehicle. Direct costs include labor, parts and accessories, lubrication, gasoline, and tires and tubes. Indirect costs include administration, utilities, non-reimbursable damage expenses, insurance, depreciation, and land and building expenses. A five year listing of vehicle classifications and rental rates is provided in table 12.

Table 12
Motor Pool Class-Vehicle-Rental Rates
Fiscal 1982 - Fiscal 1985

Class No.	Description	FY 82 Rate/Mile	FY 83 Rate/Mile	FY 84 Rate/Mile	FY 85 Rate/Mile	% Change FY 82-85
00	Passenger Cars--	-0-	--	--	--	-0-
01	Station wagon	.2350	.2600	.2705	.2900	23.4
02	Blazer type 4x4's	.2875	.2975	.3350	.3000	4.4
03	Suburban - ½-ton 2/wh. drive	--	--	--	--	0.0
04	Sub-compacts wo/air w/4-speed	--	.2025	.2200	.2120	4.7*
05	Sub-compacts w/air w/auto	.2150	.2450	.2575	.2250	4.7
06	Compacts .2150	.2150	.2152	.2570	.2450	14.0
07	Pickups, ½-ton 2-wh. drive	.2575	.2200	.3200	.3025	17.5
12	Vans, 5- & 8-passenger	.3000	.3225	.3850	.3500	16.7

*Percent Change 1983-1985.

The motor pool is presently made up of the vehicles shown in Table 13. The table indicates a total of 165 vehicles, seven of which are on loan to state agencies.

Table 13
Motor Pool Vehicle Make Up
Fiscal 1984

Class No.	01	02	04	05	06	07	12	
Vehicle Type	Station Wagon	Blazer	Subcompact	Subcompact	Compact	Pick-ups	Vans	Total
Year Prior to 1977	--	--	--	--	--	2	--	2
1977	1	--	--	--	--	1	2	4
1978	--	1	--	--	--	2	--	3
1979	2	2	--	--	6	2	1	13
1980	4	--	--	--	6	--	1	11
1981	--	--	--	1	19	--	3	23
1982	4	7	14	--	11	6	2	44
1983	--	2	22	--	1	--	3	28
1984	--	---	---	---	33	2	2	37
Total	<u>11</u>	<u>12</u>	<u>36</u>	<u>1</u>	<u>76</u>	<u>15</u>	<u>14</u>	<u>165</u>

The present motor pool policy calls for replacement of vehicles every 75,000 miles. At present, vehicles are reaching the 75,000 limit in a three year period. The estimated replacement schedule is presented in Table 14.

Table 14
Estimated Replacement Schedule and Replacement Costs

Class	Last Bid						
No.	Price	Year		1984	1985	1986	1987
01	\$ 8,499	1982	Station Wagon	--	5	1	3
02	10,068	1983	Blazer	--	2	3	4
04	5,847	1983	Subcompact	--	15	21	--
05	8,469	1981	Subcompact	--	1	1	--
06	7,004	1984	Compact	33	16	14	20
07	7,239	1984	Pick-ups	2	4	1	--
12	12,000	1984	Vans	<u>2</u>	<u>3</u>	--	<u>3</u>
Total				37	46	41	30
				==	==	==	==
Estimated Replacement Costs				<u>\$294,975</u>	<u>\$355,825</u>	<u>\$300,000</u>	<u>\$276,000</u>

Estimated replacement costs in Table 14 are calculated by multiplying the last bid price increased by inflation for the number of replacement vehicles requested.

Issue 1: Rental Rates

A memo dated August 5, 1984, from the director of the Department of Highways to agency directors regarding motor pool rates states:

It has been determined that an additional \$0.04 per mile will be required during fiscal 1986 to raise the needed revenue to replace necessary vehicles in the State Motor Pool. It is therefore requested that you increase your travel budget by \$0.04 per mile for the anticipated mileage to be traveled in fiscal 1986. The additional \$0.04 per mile will become effective July 1, 1985, and will be eliminated on June 30, 1986.

The effect of this memo would be to raise approximately \$120,000 in additional funds for replacement costs. The following table shows the working capital for fiscal 1985 through fiscal 1987 without an increase in rates.

Table 15
Motor Pool Working Capital
Fiscal 1984--Fiscal 1987

	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>
Beginning Balance	\$ 347,701	\$ 454,003	\$ 578,223	\$ 750,539
Revenue--4 Percent Inflation	<u>764,332</u>	<u>794,905</u>	<u>826,701</u>	<u>859,769</u>
Total Funds Available	\$1,112,033	\$1,248,908	\$1,404,924	\$1,610,308
Deductions	<u>658,030</u>	<u>670,685</u>	<u>654,385</u>	<u>639,452</u>
Ending Balance Without .04¢ Increase	<u>\$ 454,003</u>	<u>\$ 578,223</u>	<u>\$ 750,539</u>	<u>\$ 970,856</u>

The table indicates that even without the department's requested increase in rates that the ending balance will continue to increase. Based on this information, the legislature may want to:

Option a: Have agency director's remove the .04¢ from their travel budgets.

Option b: Have the motor pool adjust their rates to reduce the 1987 ending balance.

Option c: Adopt both Option a and b.

GENERAL OPERATIONS

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	130.03	130.03	138.53	137.03	6.0
Personal Service	\$3,077,609	\$3,155,633	\$3,485,567	\$3,462,314	12.3
Operating Expense	2,201,804	2,361,106	2,578,094	2,567,807	12.7
Equipment	489,203	443,618	422,980	422,980	(9.3)
Inflation	-0-	-0-	71,958	116,371	--
Total Operating Costs	\$5,718,616	\$5,960,357	\$6,558,599	\$6,569,472	12.4
Non-Operating Costs	193,066	290,000	300,000	300,000	24.2
Total Expenditures	<u>\$5,911,682</u>	<u>\$6,250,357</u>	<u>\$6,858,599</u>	<u>\$6,869,472</u>	<u>12.8</u>
Fund Sources					
State Special	\$4,635,480	\$4,824,456	\$4,869,605	\$4,877,325	3.0
Federal Revenue	<u>1,276,202</u>	<u>1,425,901</u>	<u>1,988,994</u>	<u>1,992,147</u>	<u>47.3</u>
Total Funds	<u>\$5,911,682</u>	<u>\$6,250,357</u>	<u>\$6,858,599</u>	<u>\$6,869,472</u>	<u>12.8</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Interstate Needs Analysis				
Option a:	-0-	\$(48,146)	-0-	\$(48,186)
Option b:	-0-	\$(32,124)	-0-	\$(32,124)
Option c:	-0-	\$(16,062)	-0-	\$(16,062)

The General Operations Program provides administrative and supportive services to the highway department. Since these funds are statutorily appropriated they are not shown in the main table. Non-operating expenses shown in the main table are primarily for transportation planning grants.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	130.03	130.03	0.00
Personal Services	\$3,160,545	\$ 3,027,609	\$132,936
Operating Expenses	2,378,695	2,201,804	176,891
Equipment	<u>458,647</u>	<u>489,203</u>	<u>(30,556)</u>
Total Operating Costs	\$5,997,887	\$ 5,718,616	\$279,271
Non-Operating Costs	<u>415,000</u>	<u>193,066</u>	<u>221,934</u>
Total Expenditures	<u>\$6,412,887</u>	<u>\$ 5,911,682</u>	<u>\$501,205</u>
<u>Funding</u>			
State Special	\$4,898,282	\$ 4,635,480	\$262,802
Federal Revenue	<u>1,514,605</u>	<u>1,276,202</u>	<u>238,403</u>
Total Funds	<u>\$6,412,887</u>	<u>\$ 5,911,682</u>	<u>\$501,205</u>

The major differences in operating expenses occur because of an economic development study being over budgeted, a transportation study not being accomplished, and audit fees of \$33,467 not being expended. Non-operating expenses consisting of grants to cities were not fully expended.

Current Level Adjustments

A number of FTE transfers were made at the agency's request. Four FTE were transferred to general operations from the Preconstruction Program. Eight positions were transferred to general operations from construction. These positions relate to safety, training, and civil rights compliance. Two positions, an administrator of the Legal Division and legal secretary were transferred to the Preconstruction Program. Also, an accountant and two computer programmers were funded for only six months of fiscal 1986. These 3 FTE relate to the SBAS conversion project. This project should be completed by mid fiscal 1986.

Operation expenses increase \$376,290. Of this amount, \$224,004 is for bonds and insurance. Contracts to cities for transportation planning, Montana State University for long-range traffic planning, the Highway Patrol and minority businesses increase \$167,718. Audit fees increase from \$35,717 in fiscal 1984 to \$63,000 in fiscal 1986. Other adjustments net decrease the base by \$42,715 or 1.9 percent before inflation. Equipment consists mainly of the third and fourth phase of the high-band radio conversions.

Issue 1: Interstate Needs Analysis

During the 1985 session, 3 FTE were added to conduct a pavement condition survey or needs analysis of the interstate system. The purpose of this survey was to determine which parts of the interstate system did not meet construction standards or were in need of repair. The information generated was to allow for more efficient use of federal 4R program funds. Because the interstate will have been analyzed and a needs assessment completed at the end of this biennium, the legislature may want to reduce FTE related to the project.

Option a: Delete 3 FTE at a savings of approximately \$48,186 in fiscal 1986 and \$48,186 in fiscal 1987.

Option b: Delete 2 FTE at a saving of approximately \$32,124 in fiscal 1986 and \$32,124 in fiscal 1987.

Option c: Delete 1 FTE at a savings of approximately \$16,062 in fiscal 1986 and \$16,062 in fiscal 1987.

GROSS VEHICLE WEIGHT

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	103.14	103.14	103.14	103.14	0.00
Personal Service	\$2,175,012	\$2,216,077	\$2,258,502	\$2,262,805	2.9
Operating Expense	689,951	880,050	689,882	689,882	(12.1)
Equipment	33,708	11,080	24,669	12,669	(16.6)
Inflation	-0-	-0-	62,857	98,460	--
Total Expenditures	<u>\$2,898,671</u>	<u>\$3,107,207</u>	<u>\$3,035,910</u>	<u>\$3,063,816</u>	<u>1.5</u>
<u>Fund Sources</u>					
State Special	\$2,895,671	\$3,107,207	\$3,035,910	\$3,063,816	1.6
Federal Revenue	<u>3,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$2,898,671</u>	<u>\$3,107,207</u>	<u>\$3,035,910</u>	<u>\$3,063,816</u>	<u>1.5</u>
-----Fiscal 1986-----					
-----Fiscal 1987-----					
ISSUE: Cost (Savings)	General Fund		Other Funds		
1. G.V.W. Officers	-0-		\$(211,382)		\$(183,842)
2. Saltese/Havre	-0-		-0-		\$ 383,830

The Gross Vehicle Weight Division provides enforcement of the statutes and regulations relating to vehicle weights on the state's highways (Title 61, MCA)

and collects gross vehicle weight fees. It consists of two bureaus. The Licensing and Collection Bureau registers interstate fleets of vehicles, issues GVW fee licenses, issues oversize and overweight permits, and collects fees and taxes. The Enforcement Bureau operates weigh stations across the state and assigns enforcement officers to inspect vehicles for compliance with registration, fuel, size, and weight laws. The \$3,000 of federal funds shown in the Gross Vehicle Weight main table was the result of a federally sponsored Motor Carrier Safety Assistance Program. Costs for per diem, travel, and lodging associated with this program were reimbursed. Funding of this type is not expected to be generated by agency personnel in the next biennium.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	103.14	103.14	0.00
Personal Services	\$2,228,284	\$2,175,012	\$ 53,272
Operating Expenses	832,460	689,951	142,509
Equipment	<u>24,080</u>	<u>33,708</u>	<u>(9,628)</u>
Total Costs & State Special	<u>\$3,084,824</u>	<u>\$2,898,671</u>	<u>\$186,153</u>

Operating expenses were 17 percent less than expected. This difference was mostly contract services and travel. In contract services, program personnel indicated that the majority of the difference was in the area of data processing. In travel, the majority of the difference was due to division personnel not attending as many out-of-state meetings as originally planned. The \$9,628 relating to equipment purchases was for the purchase of radar guns and replacement parts for scales.

Current Level Adjustments

This budget remains at current level, plus inflation.

Issue 1: Gross Vehicle Weight Officers

The 1983 legislature added eight GVW officers and associated expenses for a total cost of \$211,382 in fiscal 1984 and \$183,842 in fiscal 1985. The Department of Highways stated that these additional officers would be used in enforcement and protection activities to assure that weight restrictions were adhered to. The

department estimated that each additional officer would generate approximately \$52,000 per year in revenue.

Table 16 indicates that GVW collections are over \$52,000 per officer, but total GVW collections have not increased by the addition of the eight enforcement officers; in fact, the revenue per officer has declined 9 percent over a two-year period.

Table 16
Revenue Collections for GVW Officers for Fiscal Years 1982, 1983, and 1984

Calendar Year	FY 1982	FY 1983	FY 1984	% Change FY 83 84
G.V.W. Revenue	\$4,391,874	\$4,141,558	\$4,192,861	1.2
G.V.W. Officers	÷71	÷71	÷79	11.3
Revenue Per Officer	\$ 61,857	\$ 58,332	\$ 53,074	(9.0)

The activity of these officers is not reflected in additional fees collected. The highway department should explain the benefit of their service and the cost benefit ratio of retaining these 8 FTE.

Option a: Reduce enforcement officers by 8 FTE. This will save \$211,382 in fiscal 1986 and \$183,842 in fiscal 1987.

Option b: Retain the 8 FTE enforcement officers, but require that the highway department give the legislature specific quantifiable goals for the 1987 biennium. (The statistics related to these goals for the 1983 and 1985 biennium should also be presented so the legislature can evaluate the reasonableness of the goals presented for the 1987 biennium.)

Issue 2: Saltese Entry Station and Havre Weigh Station

The division has requested an additional 8 FTE enforcement officers in fiscal 1987. The enforcement officers would staff the port of entry at Saltese and the weigh station in Havre beginning in fiscal 1987. Operating costs associated with this modified request would be paid for by the Department of Highways. However, it is expected that Montana would be reimbursed for half of the costs by the state of Idaho. The reimbursed funds would be returned to the state's special

revenue account. No reimbursement agreement with the state of Idaho has been reached at this time.

Option a: Add the enforcement officers for Saltese and Havre at a cost of of \$383,830 in fiscal 1987.

Option b: Do not fund the request.

STORES INVENTORY

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	0.00	0.00	0.00	0.00	(0.0)
Personal Service	\$ 1,013,956	\$ -0-	\$ -0-	\$ -0-	(100.0)
Operating Expense	12,289,634	14,284,140	12,004,111	12,008,941	(9.6)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>757,784</u>	<u>1,232,164</u>	<u>--</u>
Total Expenditures	<u>\$13,303,590</u>	<u>\$14,284,140</u>	<u>\$12,761,895</u>	<u>\$13,241,105</u>	<u>(5.7)</u>
<u>Fund Sources</u>					
State Special	<u>\$13,303,590</u>	<u>\$14,284,140</u>	<u>\$12,761,895</u>	<u>\$13,241,105</u>	<u>(5.7)</u>

The Highway Stores Program is used to purchase and store materials such as sand, road oil, and gasoline which is needed by the other highway department programs. Physically separate stores operations are maintained in Helena, at each of the field areas, and at their respective section houses. Known as Stores Headquarters, the Helena branch of the stores system addresses the needs of the Helena headquarters building and shop facility and acts as the central receiving and distribution center for all quantity stores purchases made for the highway department.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	0.00	0.00	0.00
Personal Services	\$ -0-	\$ 1,013,956	\$(1,013,956)
Operating Expenses	<u>13,193,639</u>	<u>12,289,634</u>	<u>904,005</u>
Total Expenditures	<u>\$13,193,639</u>	<u>\$13,303,590</u>	<u>\$(109,951)</u>
<u>Funding</u>			
State Special Revenue	<u>\$13,193,639</u>	<u>\$13,303,590</u>	<u>\$(109,951)</u>

The table indicates that no personal services expenditures and FTE were budgeted for the Stores Program. On June 27, 1984 a program transfer was made to the Stores Program from the Maintenance Program. The transfer of \$1,103,975, reflects projected gravel production personal services expenditures for fiscal 1984. The gravel production personal services had been reflected in the Maintenance Program. According to agency personnel, the reason for recording expenditures in this way is to try to provide an accurate account of gravel crushing costs. Operating expenses budgeted were not fully utilized because of less expenditures for fuel.

Current Level Adjustments

Adjustments before inflation decrease costs by \$285,523. Supplies and materials decrease \$128,774 due to the Stores Program eliminating purchase activity of some items. Repair and maintenance items are reduced \$121,074. Other reductions total \$35,675.

INTERNAL SERVICE

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E.	74.25	74.25	73.25	73.25	(1.3)
Personal Service	\$1,785,271	\$1,825,127	\$1,858,600	\$1,862,339	3.0
Operating Expense	984,483	1,014,233	962,819	963,668	(3.6)
Equipment	39,990	15,300	40,888	29,588	27.4
Inflation	-0-	-0-	35,848	61,000	--
Total Expenditures	<u>\$2,809,744</u>	<u>\$2,854,660</u>	<u>\$2,898,155</u>	<u>\$2,916,595</u>	<u>2.6</u>
<u>Fund Sources</u>					
Proprietary Fund	<u>\$2,809,744</u>	<u>\$2,854,660</u>	<u>\$2,898,155</u>	<u>\$2,916,595</u>	<u>2.6</u>

The service revolving fund primarily consists of the printing unit, photo unit, materials bureau and administration, data processing entry and systems programming bureau and the van pool.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	74.25	74.25	0.00
Personal Services	\$1,827,717	\$1,785,271	\$ 42,446
Operating Expenses	973,774	984,483	(10,709)
Equipment	13,310	39,990	(26,680)
Total Costs & Proprietary Fund	<u>\$2,814,801</u>	<u>\$2,809,744</u>	<u>\$ 5,057</u>

The table indicates a small difference in personal services and that expenditures were more than budgeted for in the categories of operating expenses and equipment.

Current Level Adjustments

One lab technician was transferred to the Construction Program. Bonds and payroll processing fees increase by \$5,275. Reductions mostly made at the

agency's request total \$27,039. The major reductions were in the area of micro-film services and rental of data processing equipment.

CAPITAL OUTLAY PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	0.00	0.00	0.00	0.00	(0.0)
Total Expenditures	<u>\$5,491,876</u>	<u>\$587,245</u>	<u>\$14,773,336</u>	<u>\$16,563,599</u>	<u>415.4</u>
<u>Fund Sources</u>					
State Special	<u>\$5,491,876</u>	<u>\$587,245</u>	<u>\$14,773,336</u>	<u>\$16,563,599</u>	<u>415.4</u>

Chapter 557, Laws of 1983, authorized the Department of Highways to issue up to \$150 million of highway revenue bonds. The purpose of this financing was to "accelerate completion of selected remaining interstate gaps and to enable the Department of Highways to better manage its cash resources during the term of the bonds." The original financing structure called for the issuance of all the bonds at one time. The department issued bonds of \$64 million in June, 1983, and Bond Anticipation Note of \$39,075,000 in September, 1983. The department still has authorization for \$45 million in bonds. The \$64 million bond issue was for financing the state's share of the costs of construction, reconstruction, and repair of various state projects, and is to be repaid from the department's revenues from fuel taxes and license fees.

DEPARTMENT OF ADMINISTRATION

-----1987 Biennium-----

	FTE FY '87	General Fund	Total Funds
Executive Budget	431.09	\$32,180,519	\$94,259,828
LFA Current Level	408.59	7,916,784	55,064,166
Executive Over (Under) LFA	<u>==22.5</u>	<u>\$24,263,735</u>	<u>\$39,195,662</u>

The executive budget is \$39,195,662 over the LFA current level analysis. This is due to 23.5 FTE and \$11,062,636 in modifications and \$24,200,559 in the executive budget to pay long-term debt which are covered by an existing statutory appropriation.

Issue 1: Communications Contract Services

The executive budget contains \$50,000 in fiscal 1986 for consultation work on proposed network alterations. Since the legislature has not reviewed any proposals on the network alterations, the consultation fees were not included in the LFA current level. The executive budget also contains \$48,000 each year for maintenance on a proposed local area network for the capitol complex. Since that project has not been reviewed and approved by the legislature, the costs were not put in the LFA current level.

Issue 2: Central Stores-Cost of Goods Sold

The executive budget contains \$1,432,358 more for the biennium in the cost of goods sold category than the LFA current level analysis. This amount was added for anticipated growth in the activity of providing agencies with supplies and materials. The LFA has made this addition to the budget an issue.

Issue 3: Mail-Postage Costs

The executive budget contains \$317,000 more in postage than the LFA current level analysis. The department had requested the increase based on prior years' growth. However, most of the growth occurred in fiscal years 1982 and 1983 and growth declined 36 percent from fiscal 1983 to fiscal 1984. The current level analysis left the postage budget at current level.

Issue 4: Workers Compensation Judge-Increases Hearings

The executive budget contains \$74,000 for the biennium in costs associated with increased hearings. The current level analysis presents the request as an issue.

Issue 5: Information Services Division-Growth

The executive budget contains approximately \$450,000 above current level for growth within the Information Services Division. The current level analysis does not contain these costs as the legislature has not reviewed these costs in terms of the additional services to be available to the agencies and the funding source for these services.

DEPARTMENT OF ADMINISTRATION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	407.84	411.59	403.84	408.59	(0.8)
Personal Service	\$ 9,450,735	\$ 9,864,710	\$10,079,205	\$10,163,868	4.8
Operating Expense	12,658,643	14,632,047	12,927,062	13,008,325	(5.0)
Equipment	1,377,134	1,106,897	1,504,659	874,418	(4.2)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>989,317</u>	<u>1,681,074</u>	<u>--</u>
Total Operating Costs	\$23,486,512	\$25,603,654	\$25,500,243	\$25,727,685	4.4
Non-Operating Costs	<u>1,561,622</u>	<u>108,454</u>	<u>1,910,446</u>	<u>1,925,792</u>	<u>129.7</u>
Total Expenditures	<u>\$25,048,134</u>	<u>\$25,712,108</u>	<u>\$27,410,689</u>	<u>\$27,653,477</u>	<u>8.5</u>
Fund Sources					
General Fund	\$ 4,032,020	\$ 4,224,128	\$ 3,943,940	\$ 3,972,844	(4.1)
State Special	1,561,053	1,655,058	1,786,662	1,666,881	7.3
Other Funds Approp.	49,996	50,000	55,356	58,801	14.1
Proprietary Fund	<u>19,405,065</u>	<u>19,782,922</u>	<u>21,624,731</u>	<u>21,954,951</u>	<u>11.2</u>
Total Funds	<u>\$25,048,134</u>	<u>\$25,712,108</u>	<u>\$27,410,689</u>	<u>\$27,653,477</u>	<u>8.5</u>

The primary goal of the department is to provide services to state agencies in the areas of accounting, financial reporting, insurance, communications, data processing, personnel management and labor relations, purchasing, printing, mail and messenger, and records management.

The department also administers the Long-Range Building Program, State Employee Group Benefits Program, and various retirement programs. Building codes enforcement is a program of the department.

Functions attached to the department for administrative purposes include the Board of Examiners, State Tax Appeals Board, Workers' Compensation Court, Board of Investments, Public Employees Retirement System, and Teachers' Retirement System.

The Legislative Fiscal Analyst current level analysis shows a decrease in the general fund of \$88,080 from fiscal 1984 to fiscal 1986, a 4.1 percent decrease. There is an increase of 7.3 percent in the state special revenue fund, a 14.1 percent increase in other funds, and a 5.0 percent increase in proprietary funds.

The decrease in the general fund is mainly a result of personnel reductions in the Director's Office, Purchasing Division, and Personnel Division. Reduced

data processing expenditures in the Accounting Division account for \$73,200 in reductions.

The major increase in the state special revenue fund is in the Building Standards Division where \$127,800 was provided for vehicle replacement in fiscal 1986.

DIRECTOR'S OFFICE

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	8.00	8.00	7.00	7.00	(12.5)
Personal Service	\$257,616	\$256,531	\$233,068	\$234,505	(9.0)
Operating Expense	44,959	23,021	20,422	21,850	(37.8)
Inflation	-0-	-0-	571	1,386	--
Total Expenditures	<u>\$302,575</u>	<u>\$279,552</u>	<u>\$254,061</u>	<u>\$257,741</u>	<u>(12.1)</u>
<u>Fund Sources</u>					
General Fund	<u>\$302,575</u>	<u>\$279,552</u>	<u>\$254,061</u>	<u>\$257,741</u>	<u>(12.1)</u>

<u>ISSUE: Cost (Savings)</u>	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Advisory Council	\$3,095	-0-	\$3,128	-0-

The Director's Office supervises and coordinates the activities of the various divisions within the department and the administratively attached boards and agencies. Services provided by the staff include legal services, management reviews, assistance in special projects, and assistance to the Board of Examiners.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Total operating costs were underspent by \$52,548. Audit fees were appropriated at \$76,000. Only \$23,000 was spent in fiscal 1984 leaving a balance of \$53,000.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	8.00	8.00	0.00
Personal Services	\$257,041	\$257,616	\$ (575)
Operating Expenses	22,082	21,959	123
Equipment	-0-	-0-	-0-
Total Costs & General Fund	<u>\$279,123</u>	<u>\$279,575</u>	<u>=(452)</u>

Audit	<u>\$ 76,000</u>	<u>\$ 23,000</u>	<u>\$53,000</u>
<u>Funding</u>			
General Fund	\$ 35,000	\$ 23,000	\$12,000
Proprietary Fund	<u>41,000</u>	<u>-0-</u>	<u>41,000</u>
Total Funds	<u>\$ 76,000</u>	<u>\$ 23,000</u>	<u>\$53,000</u>

Current Level Adjustments

One FTE management analyst III and operating costs of \$1,421 were deleted at the department's request.

Overtime was increased by \$365 in fiscal 1987 to provide for secretarial overtime during a session year. Printing was increased by \$1,058 in fiscal 1987 for increased copying costs during a session year. Maintenance contracts on an IBM Displaywriter and memory typewriter increased by \$2,119. Those costs were part of the purchase contract in fiscal 1983 that carried into fiscal 1984.

Audit fees decrease by \$23,300 as those costs have been transferred to the centralized services budget. Computer processing costs decreased by \$1,900 as the office now uses its word processor instead of the Automatic Text Management System in the central computer. Travel expenses of \$373 for the Capital Finance Advisory Council were deleted. Those costs are being requested as a modified service which is presented in Issue 1.

Issue 1: Capital Finance Advisory Council

Executive Order 3-84 created the Capital Finance Advisory Council. The council consists of 14 members including two legislators. The Department of Administration is responsible for the expenses incurred by the legislative members. The Director's Office is requesting funding for an anticipated five meetings per year at two days per meeting. Costs would be \$3,095 in fiscal 1986 and \$3,128 in fiscal 1987.

ACCOUNTING PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E.	12.50	12.50	12.50	12.50	0.00
Personal Service	\$288,560	\$314,674	\$313,217	\$313,654	3.9
Operating Expense	549,817	600,906	463,605	455,824	(20.0)
Equipment	890	-0-	-0-	-0-	(100.0)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>22,654</u>	<u>37,333</u>	<u>—</u>
Total Expenditures	<u>\$839,267</u>	<u>\$915,580</u>	<u>\$799,476</u>	<u>\$806,811</u>	<u>(8.4)</u>
<u>Fund Sources</u>					
General Fund	<u>\$839,267</u>	<u>\$915,580</u>	<u>\$799,476</u>	<u>\$806,811</u>	<u>(8.4)</u>

The Accounting Division operates the Statewide Budgeting and Accounting System (SBAS) and is responsible for processing and recording the state's financial transactions. The division also maintains the Property Accountability Management System which is the state's primary fixed asset accounting system. An annual financial report of all the state's financial activity is prepared after the close of each fiscal year by the division.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	12.50	12.50	0.00
Personal Services	\$315,122	\$288,560	\$26,562
Operating Expenses	590,427	549,817	40,610
Equipment	<u>-0-</u>	<u>890</u>	<u>(890)</u>
Total Costs and General Fund	<u>\$905,549</u>	<u>\$839,267</u>	<u>\$66,282</u>

Personal services show savings of \$26,562. This is a result of leaving positions vacant part of the year to generate a carryover to fiscal 1985 for the pay plan. Operating expenses were \$40,610 less than anticipated as data processing fees were \$43,000 less than budgeted, microfilm costs were \$1,000 more than budgeted, and communication costs were \$3,000 more than budgeted.

Current Level Adjustments

Audit fees paid to the Legislative Auditor for auditing SBAS increased by \$978 to \$10,500. Data processing fees paid to the Computer Service Division were reduced by \$73,200 for the following reasons: (1) the university system will pay for their own remote job entry and processing costs of \$49,200 for SBAS, (2) SBAS processing costs were reduced by \$24,000, (3) Information Systems Division support was reduced by \$22,764. Maintenance contracts were increased by \$733 to \$2,840 each year to reflect a full year's maintenance on a word processor purchased in fiscal 1983.

ARCHITECTURE AND ENGINEERING

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	14.50	14.50	14.50	14.50	0.00
Personal Service	\$383,939	\$404,496	\$410,910	\$411,790	4.3
Operating Expense	71,160	72,839	68,569	64,355	(7.6)
Equipment	5,641	1,279	4,345	5,028	35.4
Inflation	-0-	-0-	4,368	7,060	--
Total Expenditures	<u>\$460,740</u>	<u>\$478,614</u>	<u>\$488,192</u>	<u>\$488,233</u>	<u>3.9</u>

Fund Sources

State Special	<u>\$460,740</u>	<u>\$478,614</u>	<u>\$488,192</u>	<u>\$488,233</u>	<u>3.9</u>
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ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Additional FTE	-0-	\$70,932	-0-	\$70,961

The Architecture and Engineering Division oversees construction, renovations, and repair of state-owned buildings. The division also formulates a long-range building plan for legislative consideration each session.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. Personal services were underspent to create vacancy savings to carry over to the fiscal 1985 pay plan.

Operating expenses were underspent for two reasons. First, included in the \$10,000 for the microfilming project was \$5,000 for a microfiche reader printer

that shows as an equipment purchase. Second, a \$25,000 appropriation was granted to fund the Governor's State Building Construction Advisory Council. Only \$8,640 of that budget was expended.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	14.50	14.50	0.00
Personal Services	\$405,082	\$ 383,939	\$ 21,143
Operating Expenses	97,157	71,160	25,997
Equipment	600	5,641	(5,041)
Total Operating Costs	\$502,839	\$ 460,740	\$ 42,099
Non-Operating Costs	-0-	699,738	(699,738)
Total Expenditures	<u>\$502,839</u>	<u>\$1,160,478</u>	<u>\$(657,639)</u>
<u>Funding</u>			
State Special	\$502,839	\$ 460,740	\$ 42,099
Capital Projects Fund	-0-	699,738	(699,738)
Total Funds	<u>\$502,839</u>	<u>\$1,160,478</u>	<u>\$(657,639)</u>

Current Level Adjustments

The base was reduced by \$8,640 to remove the one-time costs associated with the Governor's State Building Construction Advisory Council. In order to complete the microfilming of state building plans, \$5,000 was left in the base. Audit fees of \$5,300 were added for fiscal 1986 for the audit of the Long-Range Building Program. There was no audit fee expenses in fiscal 1984. Maintenance expense is increased by \$1,500 in fiscal 1986 and \$2,280 in fiscal 1987 for current equipment and anticipated equipment expenditures. Equipment purchases include hand held calculators, a light table, a blueprint machine, and a telephoto lens in fiscal 1986 for \$4,245 and a Displaywriter CRT in fiscal 1987 for \$5,028.

Issue 1: Additional FTE

The division is requesting 3 additional FTE to accommodate increased workload. The division currently has 14.5 FTE. Staffing for the division was at 15.25 FTE for fiscal years 1980 through fiscal 1983. A 1 FTE clerk typist position was reduced last session to a .25 FTE. The number of projects worked by the division have increased from 94 in fiscal 1981 to 108 in fiscal 1984. As of October 30, 1985, there have been 71 projects assigned to staff. The dollar amounts of the projects have increased from \$32 million in the 1979 biennium to \$66 million in the 1985 biennium. In addition, the division has experienced an

increased demand for assistance by school districts for which statistics are not maintained. These are normally telephone calls for assistance and advice.

The division is requesting that they be allowed an additional design bureau chief, a facility planner, and a secretary. The cost to the long-range building fund, which is used for capital projects, would be \$70,932 in fiscal 1986 and \$70,961 in fiscal 1987.

PUBLICATIONS AND GRAPHICS

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E.	26.00	30.75	26.00	30.75	0.00
Personal Service	\$ 540,876	\$ 618,138	\$ 588,858	\$ 653,390	7.1
Operating Expense	837,230	1,130,554	885,197	977,494	(5.3)
Equipment	207,008	223,989	198,473	196,233	(8.4)
Inflation	-0-	-0-	39,525	67,323	--
Total Expenditures	<u>\$1,585,114</u>	<u>\$1,972,681</u>	<u>\$1,712,053</u>	<u>\$1,894,440</u>	<u>1.3</u>
Fund Sources					
Proprietary Fund	<u>\$1,585,114</u>	<u>\$1,972,681</u>	<u>\$1,712,053</u>	<u>\$1,894,440</u>	<u>1.3</u>

The Publications and Graphics Division provides centralized duplicating and photocopying services, graphic design and layout, typesetting, forms design, and other functions to provide camera-ready copy for duplication to state agencies.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	26.00	26.00	0.00
Personal Services	\$ 546,850	\$ 540,876	\$ 5,974
Operating Expenses	1,040,436	837,230	203,206
Equipment	266,707	207,008	59,699
Total Costs and Funding	<u>\$1,853,993</u>	<u>\$1,585,114</u>	<u>\$268,879</u>

Operating expenses were \$203,206 less than budgeted for several reasons. Goods purchased for resale were \$117,700 less than anticipated. Rent was \$153,000 less than budgeted as photocopy machines were recorded as equipment

lease purchases instead of rent. Maintenance contracts were \$53,000 more than budgeted as the program purchased the photocopy machines. The other expense category was \$22,000 more than budgeted as interest was paid on the lease purchase agreements for photocopy equipment. Equipment was less than budgeted as a printer and collator authorized in fiscal 1984 were not purchased. Equipment funds provide for the payment on existing lease purchase contracts of \$187,473 in fiscal 1986 and \$185,233 in fiscal 1987. New equipment funds of \$11,000 was added for both years of the biennium to replace a 12-year old camera and processor.

Current Level Adjustments

The Publications and Graphics Division had 26 FTE in fiscal 1984. The FTE level increases by 4.75 in fiscal 1985 and fiscal 1987 to handle legislative printing. Operating expenses are also increased by \$68,000 in fiscal 1987 for legislative printing during session.

Other operating expenses that show an increase are:

1. Audit fees charged by the Legislative Auditor's Office increased from \$3,345 to \$5,400.
2. Maintenance charges on typesetting equipment increased from \$2,376 to \$9,504 as only 25 percent of the current level costs were paid in fiscal 1984.
3. Goods purchased for resale increased by \$28,564 for anticipated growth in printing jobs.
4. Interest paid on equipment lease purchase contracts was increased by \$11,600 in anticipation of higher interest rates in the 1987 biennium.

A major decrease was \$3,100 for interviewing and job candidate expenses.

INFORMATION SERVICES DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	122.45	121.45	121.45	121.45	(0.4)
Personal Service	\$2,829,378	\$2,986,810	\$3,043,456	\$3,048,751	4.7
Operating Expense	1,801,035	2,241,250	2,101,608	2,136,320	4.8
Equipment	1,038,128	874,929	1,128,977	633,719	(7.8)
Inflation	-0-	-0-	26,604	52,101	--
Total Operating Costs	\$5,668,541	\$6,102,989	\$6,300,645	\$5,870,891	3.3
Non-Operating Costs	1,990	-0-	-0-	-0-	(100.0)
Total Expenditures	<u>\$5,670,531</u>	<u>\$6,102,989</u>	<u>\$6,300,645</u>	<u>\$5,870,891</u>	<u>3.3</u>
Fund Sources					
Proprietary Fund	<u>\$5,670,531</u>	<u>\$6,102,989</u>	<u>\$6,300,645</u>	<u>\$5,870,891</u>	<u>3.3</u>

The department has reorganized the data processing and communications functions within the department into the Information Services Division (ISD). The Computer Services Division, Records Management Bureau, Systems Development Bureau and Communications Bureau are the programs in the new division. Communications is the only new member of the division as all the others mentioned had been tied together by management lines before. Due to its own peculiarities, the communications budget is reported separately from the other functions in ISD for the 1987 biennium.

The ISD presented in the main table contains the following:

1. Resource Management Bureau.
2. Information Center Bureau.
3. Systems Development Bureau.
4. Central Computer Operations Bureau.

Under the reorganization, 1 FTE was transferred in fiscal 1985 from ISD to the Communications Bureau.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	122.45	122.45	0.00
Personal Services	\$2,957,003	\$2,829,378	\$ 127,625
Operating Expenses	2,040,473	1,801,035	239,438
Equipment	770,187	1,038,128	(267,941)
Total Operating Costs	\$5,767,663	\$5,668,541	\$ 99,122
Non-Operating Costs	-0-	1,990	(1,990)
Total Expenditures	<u>\$5,767,663</u>	<u>\$5,670,531</u>	<u>\$ 97,132</u>
<u>Funding</u>			
General Fund	\$ 500	\$ -0-	\$ 500
Proprietary Fund	5,767,163	5,670,531	96,632
Total Funds	<u>\$5,767,663</u>	<u>\$5,670,531</u>	<u>\$ 97,132</u>

Personal services were less than budgeted due to the need to have vacancy savings to fill the fiscal 1985 pay plan. The major savings in operating expenses was in equipment rent of \$227,000 as lease purchase options on data processing equipment were exercised. This was affected by an increase in equipment purchase of \$268,000. Communications expenses were \$38,000 less than anticipated in the budget.

Current Level Adjustments

Operating expenses increase by 4.8 percent before inflation. Audit fees increase by \$12,300 to \$27,700 in fiscal 1986. Leased data transmission lines increased by \$117,000 as the Department of Justice Law Enforcement Network will operate through communications lines paid for by central computer operations. Data processing software costs increased by \$234,000 as support software for the new backup and Law Enforcement Network computer in the Armory and for new equipment that will be purchased in fiscal 1985. The backup and Law Enforcement Network computer were approved by the last session. It is expected that the new computer will be ready for operation by fiscal 1986. Repairs and maintenance increased by \$57,000 for the new equipment in the Armory and communications equipment. Goods purchased for resale increased by \$25,000 for micro-computer software purchased under volume purchase agreement for resale to state agencies.

Major decreases in the budget include a reduction of \$131,000 in the rent of data processing equipment as the equipment was purchased in fiscal 1984. Interest on equipment purchases shows a \$57,000 decrease in fiscal 1986 and a

\$132,000 decrease in fiscal 1987 as existing contracts are paid off.

Equipment purchase for the biennium include the following:

1. Expenses for the continuation of existing installment purchase agreements of current level equipment are \$819,037 in fiscal 1986 and \$437,205 in fiscal 1987.
2. Purchases of peripheral equipment and a printer for the new backup center at the Armory will cost \$121,550 in fiscal 1986.
3. Purchases of magnetic disk data storage equipment for the continued growth in on-line magnetic storage of \$49,225 in fiscal 1986 and \$24,616 in fiscal 1987.
4. Additional telecommunications equipment for anticipated growth of \$129,275 in fiscal 1986 and \$168,402 in fiscal 1987.

GENERAL SERVICES DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
P.T.E	49.25	49.25	48.75	48.75	(1.00)
Personal Service	\$ 941,759	\$ 975,242	\$ 989,044	\$ 991,067	3.2
Operating Expense	1,696,535	2,112,354	1,685,242	1,686,123	(11.4)
Equipment	16,408	1,500	6,200	3,200	(47.5)
Inflation	-0-	-0-	197,125	298,618	--
Total Operating Costs	\$2,654,702	\$3,089,096	\$2,877,611	\$2,979,008	1.9
Non-Operating Costs	165,503	108,454	120,710	128,556	(9.0)
Total Expenditures	<u>\$2,820,205</u>	<u>\$3,197,550</u>	<u>\$2,998,321</u>	<u>\$3,107,564</u>	<u>1.4</u>
Fund Sources					
General Fund	\$ 617,063	\$ 672,107	\$ 588,266	\$ 608,108	(7.1)
Capitol Building Fund	49,996	50,000	55,356	58,801	14.1
Proprietary	<u>2,153,146</u>	<u>2,475,443</u>	<u>2,354,699</u>	<u>2,440,655</u>	<u>3.6</u>
Total Funds	<u>\$2,820,205</u>	<u>\$3,197,550</u>	<u>\$2,998,321</u>	<u>\$3,107,564</u>	<u>1.4</u>

The General Services Division provides maintenance, janitorial, and security services for all buildings and grounds located primarily in the capitol complex.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	49.25	49.25	0.00
Personal Services	\$ 978,009	\$ 941,759	\$ 36,250
Operating Expenses	1,915,915	1,696,535	219,380
Equipment	-0-	16,408	(16,408)
Total Operating Costs	\$2,893,924	\$2,654,702	\$239,222
Non-Operating Costs	125,540	165,503	(39,963)
Total Expenditures	<u>\$3,019,464</u>	<u>\$2,820,205</u>	<u>\$199,259</u>
<u>Funding</u>			
General Fund	\$ 664,774	\$ 617,063	\$ 47,711
Capitol Building Fund	50,000	49,996	4
Proprietary Fund	2,304,690	2,153,146	151,544
Total Funds	<u>\$3,019,464</u>	<u>\$2,820,205</u>	<u>\$199,259</u>

Major reasons for the differences in the legislative authorized budget and the actual expenditures are as follows:

1. The janitorial contract was \$156,500 less than anticipated.
2. Utilities were \$100,000 less than anticipated.
3. Expenses in the other category were \$30,500 more than anticipated as \$32,000 was transferred to the Federal Surplus Property Program for purchasing that program's building by the Records Management Bureau. The building previously had been purchased with federal funds.
4. Non-operating costs consist of transfers to the Department of Fish, Wildlife and Parks for grounds maintenance of \$125,540. Capital project expenditures were \$39,963. These expenditures were for minor remodeling and repairs performed on buildings in the capitol complex. These expenditures are included in the current level budget under repairs and maintenance.

Current Level Adjustments

The operating expenses for this budget were maintained close to the fiscal 1984 expenditure level. Major adjustments to the budget are as follows:

1. Audit fees paid to the Legislative Auditor increased by \$2,500 to \$6,500 in fiscal 1986.
2. Electrical supplies were reduced by \$11,000 to reflect an inventory of those supplies at year end and to bring that category more in line with historical expenditures.

3. Expenditures for natural gas were reduced by \$30,000 for two reasons. First, a reallocation of \$11,000 was made for an accrual not yet spent as of September 30, 1984; and second, a reduction of \$19,000 was made as a result of projected savings from the \$378,000 retrofit of the Mitchell Building.
4. Water and sewer was increased by \$13,426 in fiscal 1986 and \$21,252 for rate increases that the City of Helena notified the division they would incur in fiscal 1985, 1986, and 1987.
5. The \$31,000 spent as indirect and administrative charges were reduced to zero at the division's request.
6. Non-operating transfers to the Department of Fish, Wildlife and Parks are at the 1985 budgeted level of \$108,454, plus inflation.

Personal services were reduced by \$7,477 in fiscal 1986 and \$7,488 in fiscal 1987 as a result of deleting a .5 security guard position at the agency's request.

Funding

Funding for the General Services Division's budget comes from three sources. These sources are: (1) the general fund, (2) the capital projects fund, and (3) the fees charged to agencies using the building and services provided by the division. The budgets for fiscal 1986 and 1987 show a decrease in the general fund of 7.2 percent. This is a result of a change in the method of calculating the general fund share which historically has been 20 percent of building maintenance and security costs. In prior years, the general fund share was calculated on total program costs before the other funding sources of the capitol land grant, warehouse costs, and other changes not attributable to the rate structure were removed. The calculation for the 1987 biennium has removed those costs prior to calculating the general fund portion.

Rates

Based on the current level budget, rates the division will have to charge to operate the proprietary account are \$2.92 per square foot for fiscal 1986 and \$3.04 for fiscal 1987. A factor in calculating this rate is a reduction in the \$420,000 authorized working capital balance at the end of fiscal 1985 to \$281,000 at the end of fiscal 1987. This is a \$139,000 reduction in the balance, but a 45-day operating balance is maintained. Removed from the base before calculating the rate are charges for repair and maintenance of \$79,594 in fiscal 1986 and \$84,768 in fiscal 1987. These charges are to the agencies for work performed by general services for which the agencies are charged directly.

PROPERTY AND SUPPLY BUREAU

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	13.00	12.00	12.50	12.50	0.00
Personal Service	\$ 255,308	\$ 241,904	\$ 275,292	\$ 276,157	10.9
Operating Expense	1,777,534	1,950,771	1,735,897	1,729,597	(7.0)
Equipment	35,218	-0-	-0-	-0-	(100.0)
Inflation	-0-	-0-	144,624	235,178	--
Total Expenditures	<u>\$2,068,060</u>	<u>\$2,192,675</u>	<u>\$2,155,813</u>	<u>\$2,240,932</u>	<u>3.2</u>
Fund Sources					
Proprietary Fund	<u>\$2,068,060</u>	<u>\$2,192,675</u>	<u>\$2,155,813</u>	<u>\$2,240,932</u>	<u>3.2</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Goods Purchased for Resale	-0-	\$1,622,210	-0-	\$840,744
2. Working Capital Balance	N/A	N/A	N/A	N/A

The Property and Supply Bureau has two functions. It purchases supplies and materials in bulk quantities to achieve price discounts and resells the merchandise to state agencies. It also distributes used federal and state property to state agencies and county and city governments at a cost that is much less than if new property were purchased.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	12.00	13.00	(1.00)
Personal Services	\$ 242,498	\$ 255,308	\$(12,810)
Operating Expenses	1,900,297	1,777,534	122,763
Equipment	20,973	35,218	(14,245)
Total Costs and Funding	<u>\$2,163,768</u>	<u>\$2,068,060</u>	<u>\$ 95,708</u>

One FTE was added by program transfer during fiscal 1984, but no funding was transferred with the position. This accounts for the overexpenditure in personal services. Operating expenses were \$122,763 less than budgeted. There are several reasons for this. Goods purchased for resale were \$171,780 less than

appropriated and travel and communications were \$3,623 less than appropriated. Equipment authorized by the 1983 legislature was a heavy duty hydraulic fork lift. When the program moved to new space in fiscal 1984, it was determined the fork lift was not necessary. Shelving for \$35,000 was purchased instead.

Other items in the budget that were overexpended include: rent, \$18,255; utilities, \$8,253; repairs, \$18,978; and other, \$8,064. These items were all over-expended as a result of the move to the new space.

Current Level Adjustments

Personal services increase by .5 FTE as this program will pay half of the Purchasing Division's administrator's salary to reflect the time spent by that administrator on property and supply.

There are numerous changes to the operating expenses which result in a net reduction of \$41,637 once the adjustments for depreciation and inventory are taken into account. Increases in the budget consist of the following: (1) printing was increased by \$4,411 to \$7,500 to allow for the printing of the stores catalog and price lists on a more frequent basis than annually; (2) audit fees were increased by \$2,297 to \$6,300; (3) building rent was increased by \$6,326 to allow for a full year's rent at the new building; and (4) utilities increase by \$4,492 to allow for a full year's utility costs at the new building. Decreases in the budget consist of the following: (1) one-time secretarial costs of \$9,424 were deleted; (2) one-time data processing costs for system development were deleted; (3) one-time remodeling costs of \$36,125 were deleted; (4) vehicle rent of \$2,156 was deleted; (5) one-time relocation costs of \$5,690 were deleted; and (6) late payment interest costs of \$2,150 were deleted.

Current Level Issue: Increases in Goods Purchased for Resale

The Property and Supply Bureau has requested a current level increase of 65 percent or \$1,622,210 for fiscal 1986 and a 31 percent increase or \$840,744 for fiscal 1987 in goods purchased for resale.

The bureau has had the following increases in sales over the past three years: fiscal 1982 over fiscal 1981, a 39.56 percent increase; fiscal 1983 over fiscal 1982, a 18.88 percent increase; and fiscal 1984 over fiscal 1983, a 28.89 percent increase. The bureau has identified over \$1 million of supplies and materials that are being purchased by state agencies from sources other than property and supply. The bureau is presently conducting a study of these items and is anticipating that a large portion of the items not being currently purchased through the bureau can be stocked by the bureau. If the legislature

wishes to authorize the increased authority to purchase the additional stock, then it should consider the following issue.

The 1983 legislature authorized the bureau an additional \$584,272 in authority for fiscal 1985 to carry two new categories, coarse paper and janitorial supplies for resale. Seed money for these categories was not provided. Therefore, the bureau could not stock the new categories until sufficient revenue was available from the sale of other categories. Late in fiscal 1984, the two new categories were started with \$369,901 spent in the fiscal year. This left a balance of \$214,371 of authority on the books. Part of that authority was used to purchase other goods for resale that exceeded the bureau's original estimates for fiscal 1984. The balance was used to fund operating expenses for rent, utilities, repairs, and equipment in excess of that appropriated by the legislature to help finance a move that had not been approved by the legislature.

Option a: Appropriate the increase in goods purchased for resale but line-item that category. This adds \$1,622,210 of spending authority in fiscal 1986 and \$840,744 in fiscal 1987.

Option b: Appropriate the increase in goods purchased for resale.

Working Capital Balance

The bureau had a working capital balance of \$147,781 at fiscal year-end 1984. Based on capital requirements for the year, this is about a 25-day operating reserve. The bureau was started in fiscal 1981 and has consistently shown a low working capital balance, yet the bureau has been able to continue operations on a month-to-month basis and even expand its operations. However, the bureau maintains that because of low working capital, it is unable to take advantage of volume purchases that would result in savings to the state.

Option a: Instruct the bureau to maintain a working capital balance of 25 days.

Option b: Instruct the bureau to get a loan from the highway state special revenue fund and take advantage of volume purchases. Require that the bureau report to the Legislative Finance Committee on the savings resulting from this action and the affect this action had on rates charged to users.

PURCHASING DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	17.00	17.00	16.50	16.50	(2.9)
Personal Service	\$394,321	\$380,052	\$389,129	\$389,892	0.6
Operating Expense	134,694	138,806	115,468	115,468	(15.5)
Equipment	413	-0-	850	850	311.6
Inflation	-0-	-0-	5,935	10,851	--
Total Expenditures	<u>\$529,428</u>	<u>\$518,858</u>	<u>\$511,382</u>	<u>\$517,061</u>	<u>(1.9)</u>
<u>Fund Sources</u>					
General Fund	<u>\$529,428</u>	<u>\$518,858</u>	<u>\$511,382</u>	<u>\$517,061</u>	<u>(1.9)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Systems Development				
Option a:	\$100,000	-0-	-0-	-0-
Option b:	-0-	-0-	-0-	-0-

The Purchasing Division supervises purchasing by state agencies through competitive bidding procedures and processes all purchase orders and contracts.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.			
Personal Services	\$380,624	\$394,321	\$(13,697)
Operating Expenses	148,834	134,694	14,140
Equipment	-0-	413	(413)
Total Costs & General Fund	<u>\$529,458</u>	<u>\$529,428</u>	<u>\$ 30</u>

Personal services were \$13,697 more than appropriated as the division did not experience any turnover of staff in fiscal 1984, resulting in zero vacancy savings. Operating expenses show a \$14,140 balance. This is a result of a program transfer of \$14,000 into operating expense to help offset the overexpended personal services budget. There were, however, some differences in how the

budget was spent in relation to the division request to the legislature in 1983. The division was appropriated \$50,000 in data processing costs to run the new Automated Management Information System that was to have been completed in fiscal 1983. The system was not completed until fiscal 1984 and only \$41,000 was expended in maintaining the system. The fiscal 1984 appropriation had \$5,600 for rent of office and data processing equipment. That equipment was purchased in fiscal 1983. Offsetting the savings in fiscal 1984 was increased maintenance costs of \$1,777. With the \$12,829 in savings, the division spent \$4,580 to provide professional training for the staff and \$8,225 for part-time secretarial help to process bid proposals, filing, mailing, and bid tabulation.

Current Level Adjustments

FTE were reduced by .5 as the division administrator's position will be shared with the Property and Supply Bureau's budget. The division administrator spends approximately 50 percent of her time in functions relating to the Property and Supply Bureau.

Microfilming costs were increased by \$2,285 to \$3,000 to continue the monthly microfilming of bid tabulations and purchase orders. Data processing fees were increased by \$14,970 to \$16,607 to provide for a full year's cost of operating the management information system that was finished in fiscal 1984. System development costs were decreased by \$39,000. Maintenance costs were increased by \$2,447 to \$4,460 to reflect a full year's cost of maintenance on data processing equipment as part of fiscal 1984 was covered under warranty.

Issue 1: Systems Development

The Purchasing Division is requesting \$100,000 to correct deficiencies in their current management information system.

The 1981 legislature appropriated \$190,515 for the 1983 biennium for the development of an Automated Purchasing Management Information System. Over the past three years \$214,320 has been spent on developing the system. This includes \$39,000 of development costs out of fiscal 1984 authority.

The original design of the system provided that management information would be made available from the system that would enable management to carry out the division's function more efficiently and less costly than was currently being accomplished. One FTE clerical position was deleted in fiscal 1983 due to the expected efficiencies of the new system. The division now maintains that because of a lack of fiscal and human resources the portion of the system which was to provide management information was not implemented. The Systems

Development Bureau estimates that for them to complete the development of the system would cost an additional \$117,000 to \$292,000. However, several office automation companies have indicated to the division that a standard system with automation, on-line capabilities, and information management could be developed and delivered for a cost of approximately \$100,000.

Option a: Appropriate \$100,000 to purchase a Management Information System from a private vendor.

Option b: Require the Systems Development Bureau to complete the development of the originally designed system at no further cost to the Purchasing Division.

BUILDING STANDARDS DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	27.00	27.00	27.00	27.00	0.00
Personal Service	\$668,091	\$694,345	\$715,471	\$716,905	5.1
Operating Expense	142,231	183,956	143,865	141,675	(12.4)
Equipment	1,249	-0-	129,769	17,040	11654.1
Inflation	-0-	-0-	2,833	6,826	--
Total Expenditures	<u>\$811,571</u>	<u>\$878,301</u>	<u>\$991,938</u>	<u>\$882,446</u>	<u>10.9</u>
<u>Fund Sources</u>					
State Special	<u>\$811,571</u>	<u>\$878,301</u>	<u>\$991,938</u>	<u>\$882,446</u>	<u>10.9</u>
-----Fiscal 1986-----					
-----Fiscal 1987-----					
ISSUE: Cost (Savings)	General Fund		Other Funds	General Fund	Other Funds
1. Legal Assistance					
Option a:	-0-		\$46,197	-0-	\$30,139
Option b:	-0-		\$30,709	-0-	\$30,139

Building Standards Division is responsible for enforcing state laws and codes relating to mechanical, electrical, and general building construction.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	27.00	27.00	0.00
Personal Services	\$693,613	\$668,091	\$25,522
Operating Expenses	172,903	142,231	30,672
Equipment	437,600	1,249	436,351
Total Costs and Funding	<u>\$1,304,116</u>	<u>\$811,571</u>	<u>\$492,545</u>

The difference in personal services is due to the need to have vacancy savings in order to meet the pay plan needs for fiscal 1985. Major savings in operating expenses resulted from savings in fuel costs as a result of converting automobiles to propane. Contract services showed a savings as an authorized computer program to keep track of the division's activities will not be developed until fiscal 1985.

Equipment savings were made as vehicles that were authorized in fiscal 1984 were purchased in fiscal 1983.

Current Level Adjustments

The Building Standards Division operating expenses show a \$1,634 increase from fiscal 1984 to fiscal 1986. This is a 1.2 percent increase. Audit fees increased from \$1,974 to \$3,000. Insurance premiums increased from \$2,087 to \$3,305. Other small increases and decreases result in a net decrease in \$340.

Issue 1: Legal Assistance

The Building Codes Division is requesting a staff attorney to help its enforcement effort of the state building code. Based on past experience the division estimates it will have 85 projects in fiscal 1986 that will require some form of legal action. The division projects that 60 of those projects can be resolved by minimal enforcement action requiring about 10 hours of time each and that 25 projects will result in legal cases requiring on the average 80 hours each. This totals to 2,600 hours of enforcement action. Requests for enforcement of state building codes is currently made to county attorneys, but because of county attorneys' workloads, these cases are not given a high priority. Also, county attorneys are recommending that, instead of filing the cases as misdemeanors, the division seek court ordered injunctions for better enforcement. The county attorney's have said that this would require legal assistance from the Building Standards Division.

The division is requesting 1.5 FTE attorney in fiscal 1986 and 1 FTE attorney in fiscal 1987 to help provide the necessary legal services. It is anticipated that the .5 FTE attorney can be dropped in fiscal 1987 as public awareness will reduce the number of enforcement activities to a point one attorney can handle the workload.

The division will propose legislation that will address recovering costs of increased enforcement activities from those persons causing the problems rather than from those individuals voluntarily complying.

Option a: Allow the additional 1.5 FTE in fiscal 1986 at a cost of \$46,197 and 1 FTE in fiscal 1986 at a cost of \$30,139.

Option b: Allow one additional attorney for the biennium at a cost of \$30,709 in fiscal 1986 at a cost of \$30,139.

Option c: Do not increase the staff.

MAIL AND DISTRIBUTION BUREAU

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	9.25	9.25	9.25	9.25	0.00
Personal Service	\$152,706	\$138,594	\$158,135	\$158,898	8.8
Operating Expense	630,749	735,513	631,173	630,179	(7.6)
Equipment	8,119	5,200	7,122	8,875	20.1
Inflation	-0-	-0-	53,884	88,042	--
Total Expenditures	<u>\$791,574</u>	<u>\$879,307</u>	<u>\$850,314</u>	<u>\$885,994</u>	<u>3.9</u>
<u>Fund Sources</u>					
Proprietary Fund	<u>\$791,574</u>	<u>\$879,307</u>	<u>\$850,314</u>	<u>\$885,994</u>	<u>3.9</u>

The Mail and Distribution Bureau serves as the state's central mail operation. Both regular postage mail and inter-office mail are routed and delivered by this bureau for a majority of Helena-based agencies.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	9.25	9.25	0.00
Personal Services	\$138,713	\$152,706	\$(13,993)
Operating Expenses	658,621	630,749	27,872
Equipment	<u>8,447</u>	<u>8,119</u>	<u>328</u>
Total Costs and Funding	<u>\$805,781</u>	<u>\$791,574</u>	<u>\$ 14,207</u>

Personal services were more than anticipated because the bureau maintained staff at 100 percent and did not have any vacancy savings. Operating expenses were underspent by \$27,872 because postage was \$30,800 less than anticipated, building rent was \$3,000 less than anticipated, and charges for administration overhead from the General Services Division were \$4,750 more than budgeted.

Current Level Adjustments

There were numerous increases and decreases to the various categories in the budget, but the net effect is a \$424 increase in the current level budget. The major increase was \$442 for maintenance contracts on new equipment purchased in fiscal 1984.

Equipment purchases in fiscal 1986 will be an electric scale to help determine rates of different classes of mail. Equipment in fiscal 1987 is a Pitney Bowes postage machine to replace a machine purchased in April 1979.

TREASURY - CENTRAL SERVICES DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	15.00	15.00	15.00	15.00	0.00
Personal Service	\$362,301	\$360,437	\$372,586	\$373,223	3.2
Operating Expense	46,696	67,961	87,360	50,567	20.2
Equipment	2,268	-0-	2,073	123	(3.2)
Inflation	-0-	-0-	2,190	4,457	--
Total Expenditures	<u>\$411,265</u>	<u>\$428,398</u>	<u>\$464,209</u>	<u>\$428,370</u>	<u>6.3</u>
Fund Sources					
General Fund	\$411,265	\$402,931	\$464,209	\$428,370	9.6
Proprietary Fund	-0-	25,467	-0-	-0-	(100.0)
Total Funds	<u>\$411,265</u>	<u>\$428,398</u>	<u>\$464,209</u>	<u>\$428,370</u>	<u>6.3</u>

The Treasury--Central Services Division is divided into two bureaus. The Financial Bureau is the central services operation for the department. It contains central budget and personnel functions. The Treasury Bureau is the state's central bank. It receives and disburses funds and monitors the records of accounts for all approved commercial depositories throughout the state. In fiscal 1985, the division was given the responsibility of the accounting and payroll functions of the Governor's Office. One FTE accounting clerk was deleted from the Governor's Executive Office as a result of this transfer of duties.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	15.00	15.00	0.00
Personal Services	\$360,997	\$362,301	\$(1,304)
Operating Expenses	66,377	46,696	19,681
Equipment	16,635	2,268	14,367
Total Expenditures	<u>\$444,009</u>	<u>\$411,265</u>	<u>\$32,744</u>
Funding			
General Fund	\$418,277	\$411,265	\$ 7,012
Proprietary Fund	25,732	-0-	25,732
Total Funds	<u>\$444,009</u>	<u>\$411,265</u>	<u>\$32,744</u>

Operating expenses were less than anticipated by \$19,681 due to a combination of several items. First, the division was given authority of \$25,732 for a contract for automatic drawdown of treasury cash held in banks outside of Helena. This contract was replaced with an agreement with the depository bank in Helena to perform this function for the state with compensation being an increase in the compensating balance the bank is allowed to maintain. In addition, supplies were overspent by \$2,740 and communications were overspent by \$2,260.

Current Level Adjustments

Audit fees of \$36,800 were added to fiscal 1986. These costs had been in the Director's Office in fiscal 1984. Computer processing services increased by \$780 for on-line access to accounting records. Supplies and materials increased by \$1,100 for the additional accounting forms and printing for the accounting and payroll functions assumed from the Governor's Office. Maintenance costs on data processing equipment increased for equipment purchased in fiscal 1984 and fiscal 1985 that is currently under warranty.

INVESTMENTS

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	19.00	19.00	19.00	19.00	-0-
Personal Service	\$483,948	\$523,015	\$545,361	\$546,890	8.4
Operating Expense	208,043	185,122	192,075	192,084	(2.3)
Equipment	4,282	-0-	11,700	7,200	341.38
Inflation	-0-	-0-	2,156	4,610	--
Total Expenditures	<u>\$696,273</u>	<u>\$708,137</u>	<u>\$751,292</u>	<u>\$750,784</u>	<u>6.9</u>
<u>Fund Sources</u>					
Proprietary Fund	<u>\$696,273</u>	<u>\$708,137</u>	<u>\$751,292</u>	<u>\$750,784</u>	<u>6.9</u>

<u>ISSUE: Cost (Savings)</u>	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Account Classification	N/A	N/A	N/A	N/A

The Investments Program administers the investment of state funds under the direction of the Board of Investments.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	19.00	19.00	0.00
Personal Services	\$523,897	\$483,948	\$39,949
Operating Expenses	181,002	208,043	(27,041)
Equipment	16,146	4,282	11,864
Total Expenditures	<u>\$721,045</u>	<u>\$696,273</u>	<u>\$24,772</u>
<u>Funding</u>			
Proprietary Fund	<u>\$721,045</u>	<u>\$696,273</u>	<u>\$24,772</u>

Personal services was underspent by \$39,949. The program is authorized two entry level security analyst positions that are used to train new analysts. When a certain skill level is attained, promotions are given to a higher position, thereby creating vacancies at the lower levels. One entry level position, grade 13, and one portfolio management position, grade 15, were vacant during fiscal 1984. Contract services was overspent by \$21,450 as a result of operational costs for the new Automated Investment System being more than originally anticipated.

Current Level Adjustments

Private legal counsel fees were increased by \$13,000 to \$15,000 for each year of the biennium. This is the maximum payments allowed by contract to a private attorney and follows prior years' appropriations. Fees paid to the Computer Services Division decreased by \$30,000 as operating costs of the automated investment system are expected to decrease when the new Investment Management System comes on-line.

One-time expenses of \$2,900 for relocation and job candidate expenses were removed. Audit fees of \$29,500 are included for both years of the biennium as a yearly audit is required. Equipment purchases include \$7,200 each year for existing contract payments on computer equipment being purchased under a lease-purchase agreement and \$4,500 in fiscal 1986 for a personal computer.

Issue 1: Funding

The Investments Program currently operates with a proprietary fund. Proprietary funds by state law are to be used to account for state operations that

operate as a private business would, charging a fee for their services. State law provides that the cost of administering and accounting for state investments shall be appropriated by the legislature with the source of funding coming from each investment fund, except non-expendable trust funds. The fee charged by the Investments Program is based on the dollar amounts of the different types of funds being invested, not on offering its services on an hourly basis or a rate of return basis.

It is recommended that the Investments Program operation be placed in the state special revenue fund.

COMMUNICATIONS DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	14.39	15.39	15.39	15.39	3.4
Personal Service	\$ 360,801	\$ 387,661	\$ 427,373	\$ 427,992	14.2
Operating Expense	3,519,356	4,046,217	3,608,001	3,605,001	(4.7)
Equipment	6,212	-0-	-0-	-0-	(100.0)
Inflation	-0-	-0-	408,837	736,902	--
Total Operating Costs	\$3,886,369	\$4,433,878	\$4,444,211	\$4,769,895	10.7
Non-Operating Costs	1,393,562	-0-	1,789,736	1,797,236	157.3
Total Expenditures	<u>\$5,279,931</u>	<u>\$4,433,878</u>	<u>\$6,233,947</u>	<u>\$6,567,131</u>	<u>31.7</u>
<u>Fund Sources</u>					
Proprietary Fund	<u>\$5,279,931</u>	<u>\$4,433,878</u>	<u>\$6,233,947</u>	<u>\$6,567,131</u>	<u>31.7</u>

The Communications Division provides communications services to all state agencies, including charging and paying for communication costs, providing technical assistance, and planning for future communications systems.

Lease participation certificates were issued in fiscal 1984 in order to convert the existing lease agreement between the state and Centel Business Systems for the lease of telephone equipment to a lease purchase option. This was permitted by language in House Bill 447 and allows the state to purchase and own its own telephone equipment. Funding for this program is provided by fees charged to the users of the communications system.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to

allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	14.39	14.39	0.00
Personal Services	\$ 418,579	\$ 360,801	\$ 57,778
Operating Expenses	3,477,193	3,519,356	(42,161)
Equipment	3,539	6,212	(2,673)
Total Operating Costs	\$3,899,311	\$3,886,369	\$ 12,944
Non-Operating Costs	1,393,562	1,393,562	-0-
Total Costs and Funding	<u>\$5,293,873</u>	<u>\$5,279,931</u>	<u>\$ 12,944</u>

Personal services were less than budgeted as savings were needed to carry over funding for the 1985 pay plan.

Communications costs were \$105,000 more than anticipated mainly as a result of the rate increases by Mountain Bell and AT&T as a result of deregulation. Contract services were \$57,000 less than anticipated.

Current Level Adjustments

Personal services increase by 1 FTE as an employee of the Technical Services Section of the central computer operations was transferred in fiscal 1985 to provide technical assistance to communications.

Insurance and other changes by the Legal Division increased by \$1,686 to \$2,428 annually. Audit fees charged by the Legislative Auditor increased by \$1,075 to \$3,000 in 1986. Microfilm costs increased by \$764 so state call detail summaries may be microfilmed. Telephone charges show increases of \$85,000 in fiscal 1986 and \$60,000 in fiscal 1987. The increases allow \$60,000 each year for the purchase of telephone equipment and circuit cards to lease back to agencies and \$25,000 in fiscal 1986 for the anticipated move by the Department of Natural Resources and Conservation to its new building.

Current Level Issue

The 1983 legislature authorized contract services of \$27,000 in fiscal 1984 and \$21,500 in fiscal 1985 to continue the telecommunications development work plan. Of the \$27,000 authorized in fiscal 1984, \$1,769 was spent on a consultant for technical development of two-way radio systems. The program is requesting \$57,500 in fiscal 1986 and \$32,500 in fiscal 1987 for further project management consultation on proposed network alternatives, local area network lines, and

two-way radio systems. It is also requesting \$48,000 each year for maintenance of a local area network system that may result from the consultant's study.

In accordance with House Bill 447, an advisory council was created to participate in the planning of radio systems for the statewide communications plan. The program is to report to the legislature on the progress being made on that plan. Before the legislature adds further funding for consultants, contracts, and further communications costs, there should be a review of the progress on the development of the statewide telecommunications plan.

PERSONNEL PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	30.50	30.50	29.00	29.00	(4.9)
Personal Service	\$730,851	\$778,204	\$751,420	\$753,256	(0.3)
Operating Expense	130,306	148,332	132,181	141,081	(1.9)
Equipment	10,353	-0-	-0-	-0-	(100.0)
Inflation	-0-	-0-	5,301	11,037	--
Total Operating Costs	\$871,510	\$926,536	\$888,902	\$905,374	(0.2)
Non-Operating Costs	567	-0-	-0-	-0-	(100.0)
Total Expenditures	<u>\$872,077</u>	<u>\$926,536</u>	<u>\$888,902</u>	<u>\$905,374</u>	<u>(0.2)</u>
<u>Fund Sources</u>					
General Fund	\$869,214	\$922,342	\$888,902	\$905,374	0.1
State Special	<u>2,863</u>	<u>4,194</u>	<u>-0-</u>	<u>-0-</u>	(100.0)
Total Funds	<u>\$872,077</u>	<u>\$926,536</u>	<u>\$888,902</u>	<u>\$905,374</u>	<u>(0.2)</u>

The Personnel Program provides centralized personnel services including classification, employee relations, labor relations, and development of personnel policy. The program also provides administrative assistance to the Governor's Committee on the Employment of the Handicapped. The Merit System Council was dropped as an active program in fiscal 1984.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	30.50	30.50	0.00
Personal Services	\$765,475	\$730,851	\$34,624
Operating Expenses	152,180	130,306	21,874
Equipment	<u>1,900</u>	<u>10,353</u>	<u>(8,453)</u>
Total Operating Costs	\$919,555	\$871,510	\$48,045
Non-Operating Costs	<u>-0-</u>	<u>567</u>	<u>(567)</u>
Total Expenditures	<u>\$919,555</u>	<u>\$872,077</u>	<u>\$47,478</u>
<u>Funding</u>			
General Fund	\$915,383	\$869,214	\$46,169
State Special	<u>4,172</u>	<u>2,863</u>	<u>1,309</u>
Total Funds	<u>\$919,555</u>	<u>\$872,077</u>	<u>\$47,478</u>

Personal services were \$34,624 less than budgeted as the program experienced a high turnover in the Classification Bureau in fiscal 1984. The personnel turnover resulted in savings in travel also as classification audits were not conducted. Contract services were less than budgeted for several reasons:

1. Date processing services for the PPP system were paid by the State Auditor's Office.
2. Because of staff turnover, research and special projects were not conducted.
3. Veteran's preference issue interfered with normal work.

State special revenue funds were for the Merit System Council which was disbanded in fiscal 1984.

Current Level Adjustments

A total of 1.5 FTE was deleted at the program's request at a cost savings to the general fund of \$37,230 in fiscal 1986 and \$37,313 in fiscal 1987.

Consulting and professional services were increased by \$400 to \$6,300 in order to provide classification technical assistance, interpreters for the deaf at meetings, and research projects. Computer processing fees were increased by \$7,100 in fiscal 1987 only for computer analysis of wage proposals during state-wide labor negotiations. Operating expense of \$3,050 were deleted to reflect the decrease in 1.5 FTE. Insurance and bonds increased by \$512 to \$2,545. Legal fees increased by \$457 for miscellaneous court costs and fees for the staff attorney.

EMPLOYEE BENEFITS PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	5.50	5.50	5.50	5.50	0.00
Personal Service	\$112,518	\$ 88,759	\$129,550	\$129,936	28.9
Operating Expense	90,154	111,371	107,318	110,118	7.8
Equipment	641	-0-	500	500	56.0
Inflation	-0-	-0-	5,586	9,090	--
Total Expenditures	<u>\$203,313</u>	<u>\$200,130</u>	<u>\$242,954</u>	<u>\$249,644</u>	<u>22.0</u>
<u>Fund Sources</u>					
General Fund	\$ 45,769	\$ 45,517	\$ 32,000	\$ 35,145	(27.5)
Proprietary Fund	<u>157,544</u>	<u>154,613</u>	<u>210,954</u>	<u>214,499</u>	<u>36.8</u>
Total Funds	<u>\$203,313</u>	<u>\$200,130</u>	<u>\$242,954</u>	<u>\$249,644</u>	<u>22.0</u>

The Employee Benefits Program is responsible for administration of the state's health insurance and Employee Benefits Program.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	5.50	5.50	0.00
Personal Services	\$111,379	\$112,518	\$(1,139)
Operating Expenses	106,824	90,154	16,670
Equipment	-0-	641	(641)
Total Expenditures	<u>\$218,203</u>	<u>\$203,313</u>	<u>\$14,890</u>
<u>Funding</u>			
General Fund	\$ 45,776	\$ 45,769	\$ 7
Proprietary Fund	<u>172,427</u>	<u>157,544</u>	<u>14,883</u>
Total Funds	<u>\$218,203</u>	<u>\$203,313</u>	<u>\$14,890</u>

One FTE and funding of \$27,000 were transferred into this program from the Computer Services Division. The position was needed when the state assumed the function of eligibility determination in fiscal 1984.

In fiscal 1984, the general fund paid for 2 FTE and their operating costs. General fund for the 1987 biennium decreases as it was determined the deferred compensation participants should pay for the administration of that program.

Operating expenses were \$16,670 less than anticipated as only \$12,500 was spent out of a budget of \$28,000 for consultants for the Health Promotion Program.

Current Level Adjustments

Operating expenses increase 19 percent from fiscal 1984 to fiscal 1986. Audit fees were increased by \$13,787 in fiscal 1986 as the Legislative Auditor's Office never completed the in-house compliance audit in fiscal 1984. Computer processing fees increased \$2,050 to reflect a full year's operations for eligibility certification. Repairs and maintenance on equipment increase \$360 for contracts on equipment purchased in fiscal 1984. Mail and postage increased by \$730 to reflect a full year's activity for eligibility certification. An additional \$3,000 in the general fund is added in fiscal 1987 to pay for the biennial salary survey.

TRAINING PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	3.00	3.00	3.00	3.00	0.00
Personal Service	\$69,097	\$ 77,937	\$ 85,953	\$ 86,123	17.0
Operating Expense	25,042	47,991	42,092	41,592	14.5
Equipment	4,562	-0-	-0-	-0-	(100.0)
Inflation	-0-	-0-	2,975	4,841	--
Total Expenditures	<u>\$98,701</u>	<u>\$125,928</u>	<u>\$131,020</u>	<u>\$132,556</u>	<u>17.3</u>
<u>Fund Sources</u>					
General Fund	\$55,714	\$ 55,646	\$ 61,579	\$ 62,301	11.2
Proprietary Fund	<u>42,987</u>	<u>70,282</u>	<u>69,441</u>	<u>70,255</u>	<u>23.3</u>
Total Funds	<u>\$98,701</u>	<u>\$125,928</u>	<u>\$131,020</u>	<u>\$132,556</u>	<u>17.3</u>

The Training Program is the central coordinator for general training activities throughout state government.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	3.00	3.00	0.00
Personal Services	\$ 78,164	\$69,097	\$ 9,067
Operating Expenses	43,209	25,042	18,167
Equipment	3,000	4,562	(1,562)
Total Expenditures	<u>\$124,373</u>	<u>\$98,701</u>	<u>\$25,672</u>
<u>Funding</u>			
General Fund	\$ 56,142	\$55,714	\$ 428
Proprietary Fund	68,231	42,987	25,244
Total Funds	<u>\$124,373</u>	<u>\$98,701</u>	<u>\$25,672</u>

Operating expenses were \$18,167 less than appropriated as \$19,000 that was appropriated for consulting and professional services was not spent.

Current Level Adjustments

Operating expenses increased by 14.5 percent. The 1983 legislature authorized 2 FTE that were funded through general fund to initiate a training program for all supervisors and managers in state government. The purpose of the program was to improve the managerial and technical abilities of those supervisors and managers. During fiscal 1984, the staff spent most of its time and resources developing the program and did not start full training operations until the last quarter of fiscal 1984. An increase of \$16,570 in operating expenses is the amount needed to operate the now-developed training program at a full year's operation.

Funding

The 1983 legislature provided general fund of \$56,142 in fiscal 1984 and \$55,646 in fiscal 1985 to help start the new Management Training Program. The program has requested that the general fund support continue in the 1987 biennium to help support the 2 FTE as they refine and encourage the use of the program by the agencies.

The legislature may want to set some goals and objectives for the program to achieve so that it becomes self-supporting in the 1989 biennium.

INSURANCE AND LEGAL DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	7.67	7.00	7.00	7.00	(4.6)
Personal Service	\$ 224,476	\$203,512	\$ 226,510	\$227,087	5.9
Operating Expense	770,444	622,688	744,398	748,898	7.1
Equipment	22,615	-0-	-0-	-0-	(100.0)
Inflation	-0-	-0-	54,424	88,999	--
Total Expenditures	<u>\$1,017,535</u>	<u>\$826,200</u>	<u>\$1,025,332</u>	<u>\$1,064,984</u>	<u>13.3</u>
Fund Sources					
General Fund	\$ 56,250	\$ 58,750	\$ 39,759	\$ 45,614	(25.7)
Proprietary	961,285	767,450	985,573	1,019,370	15.9
Total Funds	<u>\$1,017,535</u>	<u>\$826,200</u>	<u>\$1,025,332</u>	<u>\$1,064,984</u>	<u>13.3</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Insurance Premiums	-0-	\$168,613	-0-	\$174,355

The Insurance and Legal Division bills insurance expenses to state agencies in order to pay insurance premiums to private carriers and to operate the Self-Insurance Program. The division also houses the department's legal services function.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	7.00	7.67	.67
Personal Services	\$ 203,839	\$ 224,476	\$(20,637)
Operating Expenses	1,229,623	770,444	459,179
Equipment	-0-	22,615	(22,615)
Total Expenditures	<u>\$1,433,462</u>	<u>\$1,017,535</u>	<u>\$415,927</u>
Funding			
General Fund	\$ 56,250	\$ 56,250	\$ -0-
Proprietary Fund	1,377,212	961,285	415,927
Total Funds	<u>\$1,433,462</u>	<u>\$1,017,535</u>	<u>\$415,927</u>

A position was transferred from the Personnel Division for two-thirds of the year but funding was not provided. This caused the overexpenditure in personal services. The position was then transferred back to the Personnel Division at year-end. Insurance premiums of \$1,171,981 were appropriated in fiscal 1984 in anticipation that premiums would be paid three years in advance. A single year's premium was paid in fiscal 1984. The difference is \$469,000. The over expenditure in equipment was a purchase of a word processor.

Current Level Adjustments

Included in fiscal 1987 is \$7,500 for actuary fees for review of the Self-Insurance Program. Audit fees increase in fiscal 1986 by \$1,026 to \$3,000. Insurance premiums were reduced by \$183,138 for an accrual that was not used. Repairs and maintenance were increased by \$3,576 for maintenance on the word processing equipment purchased in fiscal 1984.

Issue 1: Insurance Premiums

Actual insurance premiums for fiscal 1984 were \$552,148. The division attempted to zero-base the premium costs for fiscal 1986 and 1987 requesting authority of \$768,687 and \$804,433, respectively, for the two years. This is a 39 percent increase for fiscal 1986 and a 46 percent increase for fiscal 1987. Its request was based on adding \$100,000 for an aggregate deductible for property loss and \$20,000 for four \$5,000 occurrence deductibles, plus inflation at 12.2 percent for fiscal 1986 and 12.4 percent for fiscal 1987. The division stated the inflation figures were supplied by the insurance industry.

The current level budget contains the \$552,148 in premium paid for fiscal 1984. Inflation would increase these amounts to \$600,074 in fiscal 1986 and \$630,078 in fiscal 1987. Before adding the additional amounts requested by the division, the legislature should take the following safeguards.

1. Ensure that if the insurance premiums are less than the estimated amounts, the excess authority reverts.
2. Ensure that any excess cash generated is used to reduce agencies' premium payments in future bienniums.

PASSENGER TRAMWAY SAFETY PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	0.00	0.00	0.00	0.00	(0.0)
Operating Expense	\$13,032	\$12,465	\$11,823	\$11,823	(7.2)
Inflation	-0-	-0-	929	1,513	--
Total Expenditures	<u>\$13,032</u>	<u>\$12,465</u>	<u>\$12,752</u>	<u>\$13,336</u>	<u>2.3</u>
Fund Sources					
General Fund	<u>\$13,032</u>	<u>\$12,465</u>	<u>\$12,752</u>	<u>\$13,336</u>	<u>2.3</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Contract Engineer	\$ 5,000	-0-	\$ 5,000	-0-
2. Earmarking Assessment Fees				
Option a.	-0-	-0-	-0-	-0-
Option b.	\$(12,752)	\$12,752	\$(13,336)	\$13,336

The Passenger Tramway Safety Program regulates the design, construction, and operation of all passenger tramways in the state to insure public safety. The responsibility for the administration of this program lies within the Department of Administration.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
Operating Costs & General Fund	<u>\$13,035</u>	<u>\$13,032</u>	<u>\$ 3</u>

Current Level Adjustments

The base was reduced \$1,200 for the one-time expense of investigating the tramway accident that occurred at Big Sky. The balance of the budget is maintained at current level.

Issue 1: Contract Engineer

Due to the death of the contract engineer who had been doing the inspections for the department, the department was forced to negotiate new con-

tracts. The new contracts are \$10 per hour higher than the old contract. The program is requesting an additional \$5,000 per year to cover these additional costs.

Option a: Approve the new contract amount for inspections and include an additional \$5,000 per year for the contracts.

Issue 2: Earmarking Assessment Fees

The Passenger Tramway Association is going to request legislation requiring that the registration and assessment fees, that are by law currently deposited to the general fund, be deposited to a proprietary account solely for the use of passenger tramway programs. Over the past five years (fiscal 1980 - fiscal 1984) receipts have totaled \$82,721 and expenses \$55,702 for a difference of \$27,019. If the association is successful with its legislation, the funding of this program will have to be changed from the general fund to the proprietary fund.

Option a: Fund the program with general fund.

Option b: Fund the program in the proprietary fund.

WORKER'S COMPENSATION JUDGE

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	9.00	9.00	9.00	9.00	0.00
Personal Service	\$201,711	\$234,286	\$230,979	\$231,399	6.0
Operating Expense	72,939	59,663	61,171	58,677	(9.6)
Equipment	11,229	-0-	11,650	1,650	18.4
Inflation	-0-	-0-	2,732	4,476	--
Total Expenditures	<u>\$285,879</u>	<u>\$293,949</u>	<u>\$306,532</u>	<u>\$296,202</u>	<u>3.4</u>

Fund Sources

State Special	<u>\$285,879</u>	<u>\$293,949</u>	<u>\$306,532</u>	<u>\$296,202</u>	<u>3.4</u>
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ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Fund</u>
1. Increased Hearings				
Option a:	-0-	\$37,153	-0-	\$37,153

The Workers' Compensation Judge adjudicates disputed compensation claims among workers, insurance carriers, and employers.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	9.00	9.00	0.00
Personal Services	\$234,763	\$201,711	\$ 33,052
Operating Expenses	57,615	72,939	(15,324)
Equipment	16,146	11,229	4,917
Total Costs and State Special	<u>\$308,524</u>	<u>\$285,879</u>	<u>\$ 22,645</u>

Contract services were \$26,855 more than budgeted for three reasons: (1) attorney fees to defend the court on the veteran's preference issue; (2) contract for writing decisions because of a case backlog; and (3) costs for a court reporter. Rent was \$7,590 less than budgeted as the court moved into the new workers' compensation building at a cost that was less than the commercial rate paying. Travel was \$4,600 less than budgeted for two reasons: (1) the veteran's preference lawsuit; and (2) the hearing examiner who was hired being unable to travel as expected.

Current Level Adjustments

Contract services decrease by \$11,358 to \$18,500. Included in the \$18,500 are the following: (1) attorney fees of \$9,000 for the veteran's preference lawsuit; (2) contract for a court reporter of \$3,500; and (3) hearings officer costs of \$6,000 for matters before a district judge on cases where the workers compensation judge is disqualified. Rent of office equipment was increased by \$1,100 to \$4,100 for the rent of an office copier that was rented only part of the year in fiscal 1984. Building rent was decreased by \$6,371 as the court does not pay rent in the new workers' compensation building. Data processing development fees of \$1,500 were included to allow for the development of a court docketing program. Other small increases and decreases result in a net increase of \$2,361.

Equipment funds include file cabinets at \$1,650 in both years of the biennium and wall dividers at \$10,000 in fiscal 1986.

Issue 1: Increased Trial Days and Pre-trial Hearings

In the 1983 legislature the court was given an additional hearing examiner and administrative assistant to help with the backlog of cases. These additional

personnel have enabled the court to reduce time required to issue decisions from eight months to three months. The court states that it now takes up to six months for a hearing after filing a petition for a hearing. The court wants to increase the number of days of travel for pre-trial hearing examiners and trial days to help expedite the hearings and decision process. Petitions filed and pre-trials on petitions for the past three years are as follows: fiscal 1982, 351-294; fiscal 1983, 405-321; and fiscal 1984, 437-393. Total trial days in fiscal 1984 were 120. The court is estimating the total trial days for each fiscal year 1986 and 1987 will be 167. Total pre-trial days in fiscal 1984 were 62. The court estimates the total pre-trial days for each fiscal 1986 and 1987 will be 114. The court is asking for increased travel expenses of \$23,847, meeting room expenses of \$12,628, and other expenses of \$678 in order to meet its anticipated travel days.

Option a: Increase the court's budget for travel by \$37,153 to allow for the anticipated increased pre-trial and trial days.

Option b: Allow option a.; however, line-item the \$37,153 for travel only.

STATE TAX APPEAL BOARD

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	5.50	5.50	5.50	5.50	0.00
Personal Service	\$192,478	\$200,113	\$192,893	\$192,953	(1.7)
Operating Expense	96,687	140,267	89,597	89,599	(24.3)
Equipment	1,898	-0-	3,000	-0-	58.0
Inflation	-0-	-0-	6,064	10,431	--
Total Expenditures	<u>\$291,063</u>	<u>\$340,380</u>	<u>\$291,554</u>	<u>\$292,983</u>	<u>(7.4)</u>

Fund Sources

General Fund	<u>\$291,063</u>	<u>\$340,380</u>	<u>\$291,554</u>	<u>\$292,983</u>	<u>(7.4)</u>
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ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Increased Appeals	\$52,266	-0-	\$52,266	-0-

The State Tax Appeal Board hears appeals resulting from decisions of county appeals boards, from taxation decisions of county appeal boards, and from taxation decisions of the Department of Revenue. Included in the board's authority are property taxes, corporate license taxes, income taxes, and liquor taxes. In

addition to funding state board operations, the budget includes salaries and travel expenses for the county tax appeal boards.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	5.50	5.50	0.00
Personal Services	\$209,580	\$192,478	\$17,102
Operating Expenses	143,631	96,687	46,944
Equipment	3,000	1,898	1,102
Total Costs and General Fund	<u>\$356,211</u>	<u>\$291,063</u>	<u>\$65,148</u>

The major reason for the \$46,944 savings in operating expenses is the fact that the "34 percent" property tax appeals, that had received a line-itemed appropriation of \$50,287, were not started until the summer of 1984. Only 100 of 2,000 appeals had been heard in fiscal 1984.

Current Level Adjustments

Legal services was increased by \$3,000 to allow full funding for a contract attorney at \$1,000 per month and \$1,000 for court fees. One-time data processing development costs of \$12,000 were deleted. Other minor increases and decreases show a net increase of \$1,991.

Current Level Issue: Increased Appeals

The 1983 legislature authorized funding of \$50,287 in fiscal 1984 and \$33,750 in fiscal 1985 for the increased workload the board expected from the "34 percent" property tax issue. In fiscal 1984, only 100 cases of approximately 2000 cases were heard. The board was able to pay the expenses of these cases out of its current level appropriation and was able to revert the line-item appropriation of \$50,287 in fiscal 1984. The board expects the "34 percent" cases to carry over to fiscal years 1986 and 1987. The board did not provide an expected cost estimation for the cases.

In addition to the "34 percent" cases, the board is expecting a 20 percent increase in county-tax-appeal-board related expenses as a result of the new property values that will result from the completed appraisal cycle on January 1,

1988. The board requested \$18,516 in both years of the biennium for the appeal increase.

Option a: Ask the board to estimate the number and cost of "34 percent" cases for fiscal 1986 and fiscal 1987.

Option b: Appropriate \$18,516.

Option c: Do both.

Option d: Do neither.

DEPARTMENT OF MILITARY AFFAIRS

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	51.0	\$2,343,488	\$4,880,068
LFA Current Level	40.0	2,416,521	4,599,006
Executive Over (Under) LFA	<u>11.0</u>	<u>\$ (73,033)</u>	<u>\$ 281,062</u>

The executive budget is \$281,062 above the LFA current level analysis. The following issues reflect the major differences between the executive budget and current level.

Issue 1: FTE Levels

The current level analysis has retained FTE at fiscal 1984 levels. The executive budget reduces 1 FTE accounting technician II, as a result of a reorganization within the Central Services Program in the Army Guard Program. The difference resulting from this FTE is approximately \$34,000 in the biennium.

Issue 2: Utility Costs

The current level analysis retains utility costs at current level, plus inflation. The executive budget has no inflation; therefore, the executive utility costs over the biennium are approximately \$148,000 less.

Issue 3: Repair and Maintenance

The executive budget contains approximately \$30,000 more in repair and maintenance costs than the current level analysis. These costs are associated with National Guard facilities.

Issue 4: Communications

The executive budget contains approximately \$38,000 more over the biennium for communications than the current level analysis. Anticipated savings relating to the use of the high band radio purchase and less expenditures in STS usage are expected.

Issue 5: Environmental Planner

The executive budget adds an environmental planner position to monitor

federal and state environmental laws and regulations at a total biennial cost of \$46,128. The cost to the general fund for the position is \$11,532 over the biennium.

Issue 6: Security

The executive budget contains \$355,914 for 11 additional security guards for the Air Guard facility in Great Falls. Funding for the positions would be provided by the federal government.

ADJUTANT GENERAL

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	40.50	40.50	40.00	40.00	(1.2)
Personal Service	\$ 790,929	\$ 835,564	\$ 834,123	\$ 835,707	2.6
Operating Expense	1,401,050	1,644,253	1,337,919	1,333,085	(12.2)
Equipment	132,973	800	749	749	(98.8)
Inflation	-0-	-0-	94,112	158,002	--
Total Operating Costs	\$2,324,952	\$2,480,617	\$2,266,903	\$2,327,543	(4.3)
Non-Operating Costs	2,280	2,280	2,280	2,280	0.0
Total Expenditures	<u>\$2,327,232</u>	<u>\$2,482,897</u>	<u>\$2,269,183</u>	<u>\$2,329,823</u>	<u>(4.3)</u>
Fund Sources					
General Fund	\$1,276,276	\$1,340,653	\$1,193,931	\$1,222,590	(7.6)
Federal Revenue	<u>1,050,956</u>	<u>1,142,244</u>	<u>1,075,252</u>	<u>1,107,233</u>	.4
Total Funds	<u>\$2,327,232</u>	<u>\$2,482,897</u>	<u>\$2,269,183</u>	<u>\$2,329,823</u>	<u>(4.3)</u>

The Adjutant General's Office oversees all activities of the Army National Guard, the Air Guard Programs, and the Veterans' Affairs. This budget calls for a 7.6 percent general fund reduction. Personal services are reduced by a .5 FTE custodial worker. Operating expenses decrease mainly as the result of the removal of one-time expenditures. Equipment is reduced as a result of the removal of the one time radio secure system purchase in fiscal 1984. Funding for this agency is based on four contracts; these are Army National Guard Service Contract, Air National Guard Service Contract, Telephone Communications Service Agreement, and Army National Guard Training Site Contract.

This agency has three programs--Administration, Army National Guard, and Air National Guard.

ADMINISTRATION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	4.00	4.00	4.00	4.00	0.00
Personal Service	\$116,952	\$120,708	\$121,827	\$122,102	2.6
Operating Expense	74,675	80,700	61,384	57,184	(23.6)
Equipment	450	400	450	450	5.8
Inflation	<u>-0-</u>	<u>-0-</u>	<u>3,294</u>	<u>5,334</u>	<u>--</u>
Total Expenditures	<u>\$192,077</u>	<u>\$201,808</u>	<u>\$186,955</u>	<u>\$185,070</u>	<u>(5.5)</u>
<u>Fund Sources</u>					
General Fund	<u>\$192,077</u>	<u>\$201,808</u>	<u>\$186,955</u>	<u>\$185,070</u>	<u>(5.5)</u>

The Administration Program exists to provide management and supervisory support to the Army and Air National Guard programs. The adjutant general, director of the Department of Military Affairs, also has the authority to represent the Disaster and Emergency Services Division and the Veterans' Affairs Division in their communications with the Governor. The administration program is funded 100 percent by the general fund.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	4.00	4.00	0.00
Personal Services	\$120,823	\$116,952	\$ 3,871
Operating Expenses			
Contracted Services	5,982	4,941	1,041
Supplies and Materials	1,584	3,702	(2,118)
Communications	33,300	30,000	3,300
Travel	4,831	2,878	1,953
Rent	88	1,232	(1,144)
Utilities	24,644	19,016	5,628
Repair and Maintenance	5,404	12,616	(7,212)
Other	<u>633</u>	<u>290</u>	<u>343</u>
Total Operating Costs	\$ 76,466	\$ 74,675	\$ 1,791
Equipment	<u>400</u>	<u>450</u>	<u>(50)</u>
Total Costs and General Fund	<u>\$197,689</u>	<u>\$192,077</u>	<u>\$ 5,612</u>

As shown by the previous table, the difference between actual expenditures and anticipated expenditures is small. However, two categories in the area of operating expenses, consisting of approximately 39 percent of the operating expense budget, had variations of over 20 percent from the original operations plan. Utilities were underspent by 23 percent or \$5,628 and repair and maintenance was overspent by 133 percent or \$7,211.

Current Level Adjustments

Current level adjustments reduce the fiscal 1984 base by \$13,291. These adjustments include removal of one time expenditures from the base and other minor adjustments. One-time expenditures include property tags for \$420, drill floor renovation for \$9,700, and one-time phone expenditures for \$879. Communication costs are reduced \$5,215. Funds of \$2,547 were added for grounds and building maintenance and routine maintenance of the Helena Armory. Audit costs increased \$332 for a total of \$4,200 during the 1987 biennium.

ARMY NATIONAL GUARD

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	16.00	16.00	16.00	16.00	0.00
Personal Service	\$ 270,338	\$ 304,010	\$ 298,137	\$ 298,396	3.8
Operating Expense	988,430	1,110,288	927,689	928,813	(11.5)
Equipment	132,523	400	299	299	(99.5)
Inflation	-0-	-0-	44,726	82,092	--
Total Operating Costs	\$1,391,291	\$1,414,698	\$1,270,851	\$1,309,600	(8.0)
Non-Operating Costs	2,280	2,280	2,280	2,280	(0.0)
Total Expenditures	<u>\$1,393,571</u>	<u>\$1,416,978</u>	<u>\$1,273,131</u>	<u>\$1,311,880</u>	<u>(8.0)</u>
<u>Fund Sources</u>					
General Fund	\$ 980,891	\$1,000,404	\$ 895,012	\$ 922,252	(8.2)
Federal Revenue	412,680	416,574	378,119	389,628	(7.4)
Total Funds	<u>\$1,393,571</u>	<u>\$1,416,978</u>	<u>\$1,273,131</u>	<u>\$1,311,880</u>	<u>(8.0)</u>

The Army National Guard provides trained and equipped military organizations for the Governor in the event of a state emergency and for the President in the event of a national emergency. Funding for this program has been based on the fiscal 1984 federal/state funding ratio. Non-operating costs are disability

payments for a guardsman injured while on state active duty.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. The table indicates significant variations in two of the three categories--operating expenses and equipment. Utilities and communications expenditures were under the budget by \$63,000. Supplies and rent were overspent in relation to the operational plan by \$22,849. Equipment was also overspent by \$10,444. Funds for equipment were spent on improving the paging system.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	16.00	16.00	0.00
Personal Services	\$ 304,184	\$ 270,338	\$ 33,846
Operating Expenses			
Contracted Services	287,842	284,623	3,219
Supplies & Materials	24,054	36,380	(12,326)
Communications	108,929	104,625	4,304
Travel	1,574	4,296	(2,722)
Rent	16,025	26,548	(10,523)
Utilities	432,715	386,160	46,555
Repair and Maintenance	147,256	130,808	16,448
Other Expenses	14,703	14,990	(287)
Total Operating Expenses	\$1,033,098	\$ 988,430	\$ 44,668
Equipment	122,079	132,523	(10,444)
Grants/Benefits	2,280	2,280	-0-
Total Expenditures	<u>\$1,461,641</u>	<u>\$1,393,571</u>	<u>\$ 68,070</u>
Funding			
General Fund	\$ 990,627	\$ 980,891	\$ 9,736
Federal Revenue	471,014	412,680	58,334
Total Funds	<u>\$1,461,641</u>	<u>\$1,393,571</u>	<u>\$ 68,070</u>

Current Level Adjustments

The Department of Administration said the insurance and bond costs would be reduced by \$63,777. This amount has been removed from contract services. Increases to contract services are made in the area of janitorial services of \$9,068 and security of \$5,285. Other adjustments to contract services net increase the base by \$1,536. Adjustments to other categories decrease the 1984 base by .02

percent or \$19,742.

AIR NATIONAL GUARD

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	20.50	20.50	20.00	20.00	(2.4)
Personal Service	\$403,639	\$410,846	\$414,159	\$415,209	1.8
Operating Expense	337,945	453,265	348,846	347,088	(12.0)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>46,092</u>	<u>70,576</u>	<u>--</u>
Total Expenditures	<u>\$741,584</u>	<u>\$864,111</u>	<u>\$809,097</u>	<u>\$832,873</u>	<u>2.5</u>

Fund Sources

General Fund	\$103,308	\$138,441	\$111,964	\$115,268	(6.0)
Federal Revenue	<u>638,276</u>	<u>725,670</u>	<u>697,133</u>	<u>717,605</u>	<u>3.7</u>
Total Funds	<u>\$741,584</u>	<u>\$864,111</u>	<u>\$809,097</u>	<u>\$832,873</u>	<u>2.5</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Security Contract	-0-	\$188,534	-0-	\$188,612

The Air National Guard provides administrative and clerical services for the Air Guard Program. This program is also responsible for facilities maintenance and fire protection support to the Air National Guard base at Great Falls. The majority of the funding for this program comes from the federal government through the National Guard Bureau.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 allocations to actual expenditures as anticipated by the 1963 legislature. In fiscal 1984, operating expenses were overbudgeted by 18 percent. The major categories not fully utilized are utilities and repair and maintenance. Utilities were underspent by \$66,500 or 20 percent and repair and maintenance was underspent by \$12,842 or 27 percent. One category, contracted services was overspent by \$6,000 or 40 percent mainly due to increased expenditures for janitorial/caretaker services.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.F.	20.5	20.5	0.00
Personal Services	\$411,625	\$403,639	\$ 7,986
Operating Expenses	<u>410,410</u>	<u>337,945</u>	<u>72,465</u>
Total Expenditures	<u>\$822,035</u>	<u>\$741,584</u>	<u>\$80,451</u>
<u>Funding</u>			
General Fund	\$127,983	\$103,308	\$24,675
Federal Revenue	<u>694,052</u>	<u>638,276</u>	<u>57,776</u>
Total Funds	<u>\$822,035</u>	<u>\$741,584</u>	<u>\$80,451</u>

Current Level Adjustments

A .5 custodial worker II position was deleted from current level. The position had been vacant for over one year. Janitorial and caretaker services are reduced by \$2,800 to bring this expenditure in line with that of other military affairs janitorial and caretaker service contracts which are at 50 cents rather than 78 cents per square foot. Communication costs are reduced primarily in the STS area. This reflects the agency not budgeting funds in this area in fiscal 1985. Due to programmed construction at the Montana Air National Guard's Great Falls International Airport facilities, utilities are increased \$20,507. Minor adjustments reduce operating expenses by approximately \$2,800.

Issue 1: Security Guards

Eleven additional security guards for the Air Guard facility in Great Falls are requested. Presently a private security firm is providing partial security to the facility and civil service technicians are providing the balance of the security needed. According to program personnel, the contractor cannot enter some of the areas because of Air Force restrictions. Members of the National Guard would be able to provide security to the entire area. Present contracted services for security are 100 percent federally funded and are paid directly by the federal government. Current costs of the security contract are \$123,160. Funding for 11 additional security guards would also be 100 percent federal from the National Guard Bureau. Costs to the Air Guard budget would be \$188,534 in fiscal 1986 and \$188,612 in fiscal 1987. Payroll services would be provided by the administration program which is general funded.

DISASTER AND EMERGENCY SERVICES

	<u>FTE</u> <u>FY '87</u>	- - - - 1987 Biennium - - - - <u>General Fund</u>	<u>Total Funds</u>
Executive Budget	22.5	\$457,127	\$5,570,512
LFA Current Level	<u>21.0</u>	<u>450,634</u>	<u>1,357,369</u>
Executive Over (Under) LFA	<u><u>1.5</u></u>	<u><u>\$ 6,493</u></u>	<u><u>\$4,213,143</u></u>

The executive budget is \$4,213,143 above the LFA current level. The current level analysis does not include \$4,065,000 of pass-through funds to local political subdivisions as authorized by Section 10-3-203, MCA.

The total fund difference not including the \$4,065,000 is \$148,143.

Issue 1: Travel

The executive budget added \$59,310 for travel of disaster and emergency personnel to attend federally sponsored training. Costs are paid from federal sources. The current level analysis discusses this item as an issue in the Disaster Coordination and Response Program.

Issue 2: Training Personnel

Current level is 1.5 FTE below the executive budget. The executive budget added \$91,135 for an additional 1.5 FTE to train and test local government plans and procedures. Current level includes this item as an issue in the Nuclear Civil Protection Program.

DISASTER AND EMERGENCY SERVICE DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E.	21.75	21.00	21.00	21.00	(1.8)
Personal Service	\$ 524,528	\$529,903	\$542,843	\$544,078	3.0
Operating Expense	123,283	139,546	127,183	118,783	(6.4)
Equipment	12,359	943	897	897	(86.5)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>8,680</u>	<u>14,008</u>	<u>--</u>
Total Operating Costs	\$ 660,170	\$670,392	\$679,603	\$677,766	2.0
Non-Operating Costs	<u>826,221</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Expenditures	<u>\$1,486,391</u>	<u>\$670,392</u>	<u>\$679,603</u>	<u>\$677,766</u>	<u>(37.0)</u>
<u>Fund Sources</u>					
General Fund	\$ 216,003	\$222,525	\$225,667	\$224,967	2.7
Federal Revenue	<u>1,270,388</u>	<u>447,867</u>	<u>453,936</u>	<u>452,799</u>	<u>(47.2)</u>
Total Funds	<u>\$1,486,391</u>	<u>\$670,392</u>	<u>\$679,603</u>	<u>\$677,766</u>	<u>(37.0)</u>

The Disaster and Emergency Services Division is responsible for the preparation, update, coordination, and testing of all state emergency preparedness, response, and recovery plans. The division is also responsible for radiological defense efforts and calibration and maintenance of radiological instruments.

Funds totaling \$826,221 were passed through the Disaster and Emergency Services Division for civil defense reimbursements and disaster relief payments. This is the reason for federal funds showing a large decrease in the percentage column.

By budget amendment, the agency added one .75 FTE for training in fiscal 1984.

DISASTER COORDINATION AND RESPONSE

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	14.00	14.00	14.00	14.00	0.00
Personal Service	\$ 362,349	\$363,944	\$373,632	\$374,690	3.0
Operating Expense	78,317	81,096	80,484	74,604	(2.7)
Equipment	897	918	897	897	(1.1)
Inflation	-0-	-0-	5,533	8,925	--
Total Operating Costs	\$ 441,563	\$445,958	\$460,546	\$459,116	3.6
Non-Operating Costs	822,587	-0-	-0-	-0-	
Total Expenditures	<u>\$1,264,150</u>	<u>\$445,958</u>	<u>\$460,546</u>	<u>\$459,116</u>	<u>46.2</u>
Fund Sources					
General Fund	\$ 216,003	\$222,525	\$225,667	\$224,967	2.7
Federal Revenue	<u>1,048,147</u>	<u>223,433</u>	<u>234,879</u>	<u>234,149</u>	<u>63.1</u>
Total Funds	<u>\$1,264,150</u>	<u>\$445,958</u>	<u>\$460,546</u>	<u>\$459,116</u>	<u>46.2</u>
ISSUE: Cost (Savings)					
		-----Fiscal 1986-----		-----Fiscal 1987-----	
		General Fund	Other Funds	General Fund	Other Funds
1. Travel		-0-	\$29,000	-0-	\$29,000

This program is responsible for coordinating emergency preparedness throughout the entire state. The program also provides support services for all disaster related programs. Federal funds totaling \$822,587 were passed through the Disaster and Emergency Services Division to local governments. These funds pass through the Disaster and Emergency Services Division as a statutory appropriation authorized under Section 10-3-203, MCA. They are for civil defense reimbursement and disaster relief payments. Percentages shown in the table do not include non-operating costs.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. The table indicates that operating expenses were not fully utilized by \$11,940.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	14.00	14.00	0.00
Personal Services	\$364,527	\$362,349	\$ 2,178
Operating Expenses	81,562	69,622	11,940
Equipment	918	897	21
Total Expenditures	<u>\$447,007</u>	<u>\$432,868</u>	<u>\$14,139</u>
<u>Funding</u>			
General Fund	\$223,254	\$216,003	\$ 7,251
Federal Revenue	223,753	216,865	6,888
Total Funds	<u>\$447,007</u>	<u>\$432,868</u>	<u>\$14,139</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 8,695	\$ (8,695)

Current Level Adjustments

Due to the construction of the Emergency Operations Center, increases to current level are made for janitorial/caretaker services for \$1,476 and for diesel fuel for \$750. Audit fees are added to the fiscal 1986 budget at \$5,880. Other adjustments added \$2,756 to the operating base or an increase of 4 percent before inflation.

The fiscal 1984 budget amendment was for travel required by the federal government.

Issue 1: Travel

The federal government often requires attendance at conferences and seminars. Travel to these mandatory federal conferences and seminars is paid for by 100 percent federal funds. Travel in the past had been reimbursed directly to the employee. A change in administrative procedures at the federal level now requires that mandatory conferences and seminars be included in the agency's operating budget. The agency is requesting that in addition to the current operating travel budget that \$29,000 of 100 percent federally funded travel be included in the current level budget.

There is a potential cost to the general fund in future bienniums. As this added travel which is fully funded by the federal government becomes intermingled with other travel, the state's share of the travel cost may become unclear. Travel in the current level budget is \$33,477 in fiscal 1986 and \$34,527 in fiscal 1987.

Option a: Grant the spending authority for additional travel paid by the federal government.

Option b: Grant the spending authority for additional travel paid by the federal government, but require a separate responsibility center for the fully funded federal travel.

NUCLEAR CIVIL PROTECTION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	7.75	7.00	7.00	7.00	(5.1)
Personal Service	\$162,179	\$165,959	\$169,211	\$169,388	3.2
Operating Expense	44,966	58,450	46,699	44,179	(12.1)
Equipment	11,462	25	-0-	-0-	(100.0)
Inflation	-0-	-0-	3,147	5,083	--
Total Operating Costs	\$218,607	\$224,434	\$219,057	\$218,650	(1.2)
Non-Operating Costs	3,634	-0-	-0-	-0-	(100.0)
Total Expenditures	<u>\$222,241</u>	<u>\$224,434</u>	<u>\$219,057</u>	<u>\$218,650</u>	<u>(2.0)</u>
<u>Fund Sources</u>					
Federal Revenue	<u>\$222,241</u>	<u>\$224,434</u>	<u>\$219,057</u>	<u>\$218,650</u>	<u>(2.0)</u>
-----Fiscal 1986-----					
ISSUE: Cost (Savings)	General Fund		Other Funds	-----Fiscal 1987-----	
				General Fund	Other Funds
1. Training FTE	-0-		\$45,799	-0-	\$45,922

The Nuclear Civil Protection Program consists of three main activities. These activities are: calibration and maintenance, emergency management training, and nuclear civil protection. Calibration and maintenance provides for the maintenance, calibration, and accountability of all division radiological equipment. Emergency management training provides comprehensive training for the division to insure appropriate personnel are trained in aspects of response to disaster and emergency situations. Nuclear civil protection is the development of emergency plans should a major hazard occur. The \$3,634 of non-operating expense was a federal special project grant. The increase in FTE in fiscal 1984 was due to budget amendments. This program is 100 percent federally funded.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. Operating expenses were less than anticipated as travel of \$10,600 was not used, printing of \$2,000 was not spent, savings were associated with the new state phone system, and audit costs were not incurred in fiscal 1984.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	7.00	7.00	0.00
Personal Services	\$165,965	\$156,030	\$ 9,935
Operating Expenses	58,295	41,280	17,015
Equipment	25	12	13
Total Expenditures	<u>\$224,285</u>	<u>\$197,322</u>	<u>\$ 26,963</u>
<u>Funding</u>			
Federal Revenue	<u>\$224,285</u>	<u>\$197,322</u>	<u>\$ 26,963</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 24,919	\$(24,919)

Current Level Adjustments

The position of shelter analyst approved by the 1983 legislature required an architect or engineer technician qualifications. Federal guidance indicates that qualifications be upgraded from an engineer or architect technician to a licensed architect or engineer. The increase associated with this adjustment is \$2,461 per year. Increases to the current level are made in the areas of janitorial/caretaker services for \$874 and printing for \$1,932. The increase in janitorial/caretaking services is the result of remodeling and the increase in printing is to update plans and maps. Minor adjustments are made reducing the base by \$2,368. With these adjustments, the operating expenses have increased 13 percent before inflation. However, they are still below the anticipated operating expense level for fiscal 1985.

Audit costs of \$2,520 have been added to fiscal 1986.

Issue 1: Training FTE

The program is requesting to retain 1.5 FTE that were added by budget amendment in fiscal 1985. A full-time exercise training officer and the half-time administrative person would assist all counties to prepare for any emergency or disaster. The costs of these positions would be \$45,799 in fiscal 1986 and \$45,922 in fiscal 1987.

VETERANS' AFFAIRS

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	18.5	\$933,741	\$933,741
LFA Current Level	<u>18.0</u>	<u>916,080</u>	<u>916,080</u>
Executive Over (Under) LFA	<u>==.5</u>	<u>\$ 17,661</u>	<u>\$ 17,661</u>

The executive budget is \$17,661 above LFA current level. The difference in total funding is due primarily to the deletion of a .5 FTE in the current level due to that position being vacant over 60 percent of the year.

VETERANS' AFFAIRS

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	18.50	18.50	18.00	18.00	2.7
Personal Service	\$392,598	\$395,960	\$392,030	\$392,546	(.5)
Operating Expense	64,729	72,703	62,083	57,883	(12.7)
Equipment	11	-0-	-0-	-0-	(100.0)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>4,393</u>	<u>7,145</u>	<u>--</u>
Total Expenditures	<u>\$457,338</u>	<u>\$468,663</u>	<u>\$458,506</u>	<u>\$457,574</u>	<u>(1.0)</u>
Fund Sources					
General Fund	<u>\$457,338</u>	<u>\$468,663</u>	<u>\$458,506</u>	<u>\$457,574</u>	<u>(1.0)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Consolidate Program	\$(192,625)	-0-	\$(191,694)	-0-

The function of the Board of Veterans' Affairs is to establish a statewide service for assisting discharged veterans and their families, to file claims cooperating with state and federal agencies having to do with the affairs of veterans and their families, and promoting the general welfare of veterans and their families. Assistance to veterans include providing veterans with information on veterans' benefits, provision of Veterans' Administration (VA) forms, guidance in completing these forms, and representation before regional VA appeals boards.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. Operating expenses budgeted at \$58,816 were overexpended by \$5,913. The majority of this difference was attorney fees spent on the veterans' preference issue. Personnel savings were used to pay for the extra operating expenses.

Budget Item	Legislature	Actual	Difference
F.T.E.	18.5	18.5	0.00
Personal Services	\$408,281	\$392,598	\$15,683
Operating Expenses	58,816	64,729	(5,913)
Equipment	<u>-0-</u>	<u>11</u>	<u>(11)</u>
Total Costs & General Fund	<u>\$467,097</u>	<u>\$457,338</u>	<u>\$ 9,759</u>

Current Level Adjustments

Operating expenses in the area of contract services are reduced \$6,073 for one-time legal fees that were spent in fiscal 1984 regarding the veterans' preference issue. Rent decreases \$1,632 due to the Butte office, which is located in the Navy Reserve Center, no longer having to pay rent. Honorariums of \$1,250 have been moved from personal services to operating expenses. Other minor adjustments of \$391 have been removed from the base. Audit fees have been added to the fiscal 1986 budget at \$4,200. One position of administrative secretary was reduced to .50 FTE to reflect that position being vacant 60 percent of the time in fiscal 1984.

Issue 1: Consolidate Veterans' Affairs Program

Since 1979 the Veterans' Affairs Division has been the subject of considerable discussion. Much of this discussion has centered around the workload of the division's personnel and the concern that the division was duplicating services already offered by other organizations such as the federal Veteran's Administration, Veterans of Foreign Wars, and Disabled American Veterans. Division personnel located in Kalispell, Missoula, Havre, Great Falls, Butte, Miles City, Wolf Point, Bozeman, Billings, and Helena provide assistance to veterans in filing claims for benefits. It is estimated that as of March 1984 there were 107,349 veterans residing in Montana. According to statistics provided by the Veterans' Affairs Division, 17,843 veterans were contacted and 2,731 received claims totaling \$4,796,267 in fiscal 1984. Table 1 shows FTE, contacts claims, and awards from fiscal 1979 through fiscal 1984.

Table 1
Veterans Contacts and Claims Fiscal 1979 to Fiscal 1984
(Agency Provided Information)

	<u>FY 79</u>	<u>FY 80</u>	<u>FY 81</u>	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>% Change FY 79-84</u>
FTE	22.5	22.5	20.5	20.5	20.5	18.5	(18)
Contacts	51,894	47,080	44,690	31,924	29,745	34,991	(33)
Claims	8,165	7,359	6,081	2,934	2,512	2,765	(66)
Awards	\$5,849,059	\$5,882,870	\$3,452,699	\$4,518,538	\$4,299,628	\$4,796,267	(18)

The table indicates that awards and claims have dropped off dramatically between fiscal 1979 and 1982 and have remained relatively stable since. From the

contacts shown in the table, one-half are estimated to be unduplicated. Based on that estimate, 120,175 different veterans and dependents have been contacted since 1979. Of this number, 29,914 are indicated to have received claims. Most of these received claims in 1979, 1980, and 1981. Because it appears from the relative stability of claims in fiscal 1982, 1983, and 1984 that this program has reached its level of maturity, the legislature may want to consider less expensive ways to provide services to veterans.

Option a: Eliminate offices in all locations, except Helena, and provide that office with personnel to travel and meet with veterans on a scheduled basis. This would mean a savings to the general fund of \$192,625 in fiscal 1986 and \$191,694 in fiscal 1987.

Option b: Retain the program at current level.



NATURAL RESOURCES & COMMERCE



DEPARTMENT OF PUBLIC SERVICE REGULATION

	-----1987 Biennium-----		
	FTE FY '87	General Fund	Total Funds
Executive Budget	49.00	\$3,294,443	\$3,391,990
LFA Current Level	45.00	3,036,149	3,133,696
Executive Over(under) LFA	<u>4.00</u>	<u>\$ 258,294</u>	<u>\$258,294</u>

The executive budget is above current level \$258,294 in general fund and 4 FTE in the 1987 biennium. The following issues reflect the major differences between current level and the executive budget.

Issue 1: Deletion of Vacant Positions

The executive budget includes 4 FTE which were vacant all of fiscal 1984 and remain vacant to date in fiscal 1985. These positions have been deleted in the LFA current level for the 1987 biennium. The positions include a hearings reporter, auditor, systems analyst, and computer programmer. All positions are general funded.

The Public Service Commission stated they would not fill the hearing reporter and auditor positions in fiscal 1985. This would result in the positions being vacant the entire biennium.

Funds authorized in the 1985 biennium for the systems analyst and programmer positions will be spent on an office automation system. The Public Service Commission is planning to purchase the new office automation system in December 1984. It is the intention of the Public Service Commission not to hire a systems analyst or a computer programmer.

The reduction of the four positions results in the executive budget including approximately \$180,000 more in general fund than current level in the 1987 biennium.

Issue 2: Printing

The executive budget includes approximately \$20,000 in general fund over current level for printing in the 1987 biennium. The Public Service Commission spent \$18,968 in fiscal 1984 and requested a \$10,000 annual increase in the 1987 biennium. However, no explanation was provided as to what additional printing would be done.

Issue 3: Telephone Expenses

The executive budget includes an additional \$20,000 in general fund over current level for telephone expenses in the 1987 biennium. The Public Service Commission requested the increase but provided no explanation as to why the additional telephone expenses were necessary.

Issue 4: Travel to the National Association of Regulatory Utility Commissioners.

The executive budget includes an additional \$20,500 in general fund over the current level for travel to the National Association of Regulatory Utility Commissioners (NARUC). The executive budget also included \$20,500 in general fund for travel to NARUC in a modified level request.

Issue 5: Vehicle Replacement

The executive budget includes one additional vehicle with police package over the current level in fiscal 1987. This vehicle is projected to have approximately 86,000 miles by the end of fiscal 1987 and could be replaced in fiscal 1988. The cost of this vehicle is approximately \$12,500.

DEPARTMENT OF PUBLIC SERVICE REGULATION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	46.84	49.00	45.00	45.00	(6.0)
Personal Service	\$1,162,210	\$1,269,992	\$1,249,990	\$1,252,261	2.8
Operating Expense	371,086	357,621	286,600	274,385	(23.0)
Equipment	65,081	14,220	16,282	25,762	(46.9)
Inflation	-0-	-0-	10,826	17,590	--
Total Expenditures	<u>\$1,598,377</u>	<u>\$1,641,833</u>	<u>\$1,563,698</u>	<u>\$1,569,998</u>	<u>(3.2)</u>
Fund Sources					
General Fund	\$1,498,924	\$1,604,859	\$1,517,070	\$1,519,079	(2.1)
Federal Revenue	<u>99,453</u>	<u>36,974</u>	<u>46,628</u>	<u>50,919</u>	<u>(28.4)</u>
Total Funds	<u>\$1,598,377</u>	<u>\$1,641,833</u>	<u>\$1,563,698</u>	<u>\$1,569,998</u>	<u>(3.2)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Motor Carrier Safety Program				
Option a:	\$137,577	\$464,062	\$159,538	\$651,562
Option b:	\$ 59,765	\$464,062	\$106,640	\$651,562
Option c:	-0-	\$225,000	-0-	\$225,000

The Department of Public Service Regulation is responsible for regulation of public utilities, motor carriers, and railroad industries to provide safe, reliable and adequate services at the lowest achievable cost to the consumers while concurrently providing the regulated industries with a fair and reasonable return on their investment for the services rendered. In Montana, there are five public public service commission districts, with one commissioner elected from each district.

Operating expenditures decline approximately 23 percent not including inflation between the 1985 and 1987 bienniums. This reduction is due in part to one-time expenditures related to the proposed office automation system and the budget amendment for the Motor Carrier Safety Assistance Program (MSCAP).

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. In fiscal 1984, the Public Service Commission budget amended \$143,027 of federal funds for the Motor Carrier Safety Assistance Program (MCSAP). In fiscal 1984, the Public Service

Commission spent \$81,540 on the program.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	46.00	46.00	0.00
Personal Services	\$1,194,773	\$1,151,440	\$ 43,333
Operating Expenses	319,119	337,242	(18,123)
Equipment	52,331	28,155	24,176
Total Expenditures	<u>\$1,566,223</u>	<u>\$1,516,837</u>	<u>\$ 49,386</u>
<u>Funding</u>			
General Fund	\$1,524,234	\$1,498,924	\$ 25,310
Federal Revenue	41,989	17,913	24,076
Total Funds	<u>\$1,566,223</u>	<u>\$1,516,837</u>	<u>\$ 49,386</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 81,540	\$ 81,540

In fiscal 1984, the Public Service Commission had to make up approximately \$53,000 in vacancy savings in order to meet the pay plan. The Public Service Commission more than achieved this vacancy saving by leaving three positions vacant the entire fiscal year. These positions were a hearings reporter, an auditor, and a systems analyst. The department intends to leave possibly all three positions vacant in fiscal 1985, partially to achieve vacancy savings of \$110,811. However, the department also intends to utilize funds provided for the systems analyst position to purchase an office automation system. This issue will be addressed later.

Operating expenses were overspent by approximately \$24,000 in contract services. This was due to a \$70,000 service agreement between the Public Services Commission and the Information Services Division of the Department of Administration. These funds were authorized by the 1983 legislature to hire a systems analyst and purchase an office automation system. However, the systems analyst position was not filled and the funds have not been spent, although the Public Service Commission is planning to apply these funds towards the purchase of an office automation system in the near future.

Table 1 shows a comparison of equipment authorized by the 1983 legislature and the equipment purchased by the Public Service Commission.

Table 1
Public Service Commission Equipment
Fiscal 1984

<u>Equipment</u>	<u>Authorized Fiscal 1984</u>	<u>Purchased Fiscal 1984</u>
High Band Radios	\$ 7,500	\$ 6,455
4x4 Vehicle	10,000	9,758
Two Automobiles	14,831	7,062
Computer Equipment	20,000	-0-
Office Equipment	-0-	4,483
Camera	-0-	382
Photocopy Equipment	-0-	46
Total	<u>\$52,331</u> =====	<u>\$28,186</u> =====

Actual expenditures for equipment were \$28,186. The commission carried forward from fiscal 1984 a \$20,000 accrual for computer equipment to fiscal 1985. The 1983 legislature authorized the expenditures of these funds in fiscal 1984; however, the expenditure was not made. In addition, the Public Service Commission purchased a two-wheel drive vehicle instead of the 4x4 vehicle and one other automobile instead of two authorized. Non-budgeted equipment purchases were made for office equipment, one camera and photocopy equipment.

The 1983 legislature authorized three additional positions in fiscal 1985. These positions include two auditors and one programmer. As of November 1984, these positions have not been filled.

The 1983 legislature authorized five additional exempt positions for the Public Service Commission in the 1987 biennium. In fiscal 1984, the Public Service Commission changed two existing positions to exempt positions resulting in an increase in salaries of approximately \$2,500.

Current Level Adjustments

Personal services is increased to reflect the upgrade of five positions, the filling of one vacant position, and three new positions authorized in fiscal 1985. The upgraded positions are motor carrier safety inspectors and result in a \$6,800 total increase in personal services. The positions have been increased from grade 11 to grade 12 in the 1987 biennium. For the 1987 biennium, four current level

positions have been eliminated. Two of these relate to the department's automation development and will be discussed later. The other two are a hearings reporter and auditor which were not filled in fiscal 1984 and which the department has no plan for filling in fiscal 1985.

Operating expenses decrease from \$343,697 to \$286,600 or 20 percent. This change is due to primarily (1) the one-time appropriation of \$70,000 for office automation expenses in fiscal 1984, and (2) operating expenses increase in almost all categories to reflect a full year of operations for the Railroad Safety and the Natural Gas Pipeline Safety Programs. Both programs were new in fiscal 1984 and are funded 50 percent general fund and 50 percent federal funds.

Contract services includes \$15,000 each year for court reporter fees. This is a \$2,760 increase over fiscal 1984. However, in fiscal 1984, expenditures were low because the eight week Montana Power Company hearing did not cost the Public Service Commission any money as the utilities paid for the transcripts. Printing is increased \$100 per year for each of the Railroad and Natural Gas Pipeline Programs.

Supplies are increased \$304 each year to provide uniforms for five motor carrier safety inspectors and a steeltoe set of boots for the Railroad Inspector. Photo supplies increase \$1,478 for the Railroad and Natural Gas Pipeline Programs. Additional increases for these programs include \$2,623 for gasoline and \$240 office supplies.

Telephone expenses are increased \$960 each year for the Natural Gas Pipeline Safety Program and \$480 each year for the Railroad Inspector. The 1986 and 1987 expenditure base for telephone expenses is based on the last four months of fiscal 1984 to reflect the Public Service Commission's move to the Highway Department Building.

Travel is increased \$15,216 annually and repair and maintenance is increased \$1,119 annually to reflect full year operations in the Railroad Safety Program and Natural Gas Pipeline Safety Program.

Expenses decline between fiscal 1986 and 1987 by \$12,215. Legislative audit costs are included at \$11,550 for the 1987 biennium in fiscal 1986.

Equipment for the 1987 biennium includes \$4,556 in fiscal 1986 and \$3,962 in fiscal 1987 for office equipment. Fiscal 1986 also includes a piece of camera equipment for the Natural Gas Pipeline Safety Program and one replacement enforcement vehicle with police package for \$11,486. Fiscal 1987 includes two replacement vehicles--one vehicle for the railroad inspector costing \$9,286, and one enforcement vehicle with police package costing \$12,514. The enforcement

vehicle has specifications similar to Highway Patrol vehicles.

Office Automation System

The 1983 legislature authorized one systems analyst in fiscal 1984 and one programmer in fiscal 1985, plus operating expenses, at a total cost of \$70,349 in fiscal 1984 and \$112,647 in fiscal 1985. The systems analyst position was vacant all of fiscal 1984 and the funds authorized for this position and associated operating expenses were committed under a service agreement with the Information Services Division (ISD) of the Department of Administration.

To date, ISD has produced a needs assessment for the Public Service Commission and assisted the commission in issuing a Request for Proposal (RFP) in May 1984. The RFP was sent to eight major vendors; however, only one timely response was received. This proposal was rejected by the commission because the proposal was too costly and the vendor could not provide adequate system support. At this time, the commission is considering systems from other vendors who submitted late proposals. The funds committed under the service agreement with ISD will pay for the needs assessment and a portion of the hardware once a suitable vendor is found.

The Public Service Commission also does not intend to hire the systems analyst or programmer in fiscal 1985, but rather use the \$112,647 appropriation to purchase computer hardware and software. The commission stated that personnel requirements will be examined when an office automation system is purchased. The commission has stated that it appears the systems they have examined would require a part-time systems manager or word processing supervisor.

With the Public Service Commission working through Information Services Division to develop and select its office automation system and its stated intention not to hire either the systems analyst or the programmer, there is no apparent need to include them in the 1987 biennium. Therefore, both positions have been deleted. If the commission determines that additional staff or contract services are necessary after the purchase of the automation system, the request should be submitted to the 1987 legislature as a modified level request.

Issue 1: Motor Carrier Safety Assistance Program

The Motor Carrier Safety Assistance Program provides inspection of essential safety items (i.e., brakes, light, tires, etc.) on large over-the-road trucks. The premise behind the truck safety inspections is to reduce the number of accidents involving large trucks. Montana has not participated in this program

long enough to be able to submit a comprehensive evaluation of accident reduction. However, the state of Utah has completed an evaluation report. This information has been requested.

In fiscal 1984, the Public Service Commission was authorized \$143,027 of federal funds by budget amendment to implement the Motor Carrier Safety Program (MCSAP). The Public Service Commission will continue this program through fiscal 1985 by an additional budget amendment authorization of \$253,125. These funds will be used to carry out safety inspections of brakes, lights, tires, and other essential safety items on large over-the-road trucks operating in and through Montana. The federal government requires a 20 percent general fund "soft" match for the program. The Public Service Commission was able to provide this match within their existing general fund appropriation for the 1985 biennium.

For MCSAP the Public Service Commission is requesting authority to spend \$464,062 of federal funds in fiscal 1986 and \$651,562 of federal funds in fiscal 1987. Included in this request are 17 FTE in fiscal 1986 and 23 FTE in fiscal 1987. However, the Public Service Commission cannot provide the 20 percent soft match for these increased federal funds without additional general fund. In conjunction with the additional federal funds for MCSAP, the Public Service Commission is requesting general fund of \$137,577 in fiscal 1986 and \$159,538 in fiscal 1987. Six additional FTE's from the general fund are requested in fiscal 1986 and 7 additional FTE in fiscal 1987. These positions, which would include only salaries and benefits would be used as the 20 percent state match of federal funds for truck safety.

The department would be able to provide a "soft" match within its current level general fund appropriation to request approximately \$225,000 annually in federal funds to operate the Motor Carrier Safety Assistance Program in the 1987 biennium. The total amount of "soft" match and base for the \$225,000 in federal funds is approximately \$56,250.

To meet this match, the Public Service Commission would require its present field staff to work half its time on truck safety. In addition, the chief of the Motor Carrier Enforcement Bureau would dedicate half of his time, and the administrator of the Transportation Division would devote approximately 15 percent of his time to the MCSAP program. The salaries and benefits of these 7 FTE would provide the "soft" match. The Public Service Commission states that this is the maximum amount of time that it can devote to safety and still perform its economic enforcement role.

Including the \$56,250 of current level general fund as available for matching

federal funds, it is not clear why the Public Service Commission's request for additional general fund provides them with a 29 percent match in fiscal 1986 and 35 percent match in fiscal 1987 when only a 20 percent match is required. With a 20 percent match, the necessary additional general fund would be \$59,765 in fiscal 1986 and \$106,640 in fiscal 1987.

Option a: Appropriate \$137,577 in fiscal 1896 and \$159,538 in fiscal 1987 of general fund and \$464,062 in fiscal 1986 and \$651,562 in fiscal 1987 of federal funds for the Motor Carrier Safety Assistance Program. This option would provide for 17 additional FTE's in fiscal 1986 and 23 additional FTE's in fiscal 1987. In fiscal 1986, 11 FTE would be federally funded and 6 FTE state funded. In fiscal 1987, 16 FTE would be federally funded and 7 FTE would be state funded. Table 1 shows the positions of the additional FTE:

Table 1
Positions Requested for Motor Carrier Safety Assistance Program
1987 Biennium

<u>Additional Positions</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
Inspectors	12	18
Administrative Assistants	2	2
Supervisors	<u>3</u>	<u>3</u>
Total FTE	17 ==	23 ==

Option b: Appropriate \$59,765 in fiscal 1986 and \$106,640 in fiscal 1987 of general fund and \$464,062 in fiscal 1986 and \$651,562 in fiscal 1987 of federal funds for the Motor Carrier Safety Assistance Program. This option would provide the minimum amount of general fund necessary to secure the maximum amount of federal funds.

Option c: Appropriate \$225,000 in federal funds each year of the 1987 biennium for the Motor Carrier Safety Assistance Program. No additional general fund would be authorized under this option. This option would provide for one motor carrier safety supervisor, one administrative assistant, and four inspectors.

DEPARTMENT OF FISH, WILDLIFE AND PARKS

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	496.73	\$1,249,460	\$52,772,543
LFA Current Level	459.47	1,045,883	46,135,556
Executive Over (Under) LFA	<u>37.26</u>	<u>\$ 203,577</u>	<u>\$ 6,636,987</u>

The executive budget exceeds the LFA current level by \$6,636,987 in total funds including \$203,577 in general fund in the 1987 biennium. The executive budget has funded 37.26 FTE more than the LFA current level. The following issues reflect the major differences between current level and the executive budget.

Issue 1: Equipment

The executive budget includes approximately \$687,000 more funds for equipment in the 1987 biennium for the department than is included in the LFA current level. The additional equipment is spread throughout the department although major increases are included in the Centralized Services Division and Fisheries Division.

Issue 2: Contract Services

The executive budget includes approximately \$887,000 more in additional contracted services in the 1987 biennium than included in the LFA current level. The contracts are in the Wildlife and Parks Divisions and include additional grounds maintenance for state-owned properties, security protection, weed control, slash removal at Mt. Haggin, printing costs associated with hunting regulations and professional papers, and data processing. A portion of the additional contracts are general funded in the Parks Division which is responsible for the \$203,000 increase in general fund for the department.

Issue 3: Data Processing--Administration Division

The executive budget includes \$170,600 in fiscal 1986 for data processing and data processing equipment. Computers would be purchased for four regional offices to compile and process data on fish and wildlife, maintain stream and lake data, word processing, vegetation inventory, and harvest surveys. The LFA current level does not include this additional equipment.

Issue 4: Executive Budget Recommended Modified Level Requests

Table 1 summarizes the recommended modified level requests included in the executive budget in the 1987 biennium. These modified level requests represent the major differences between the LFA current level and the executive budget.

Table 1
Department of Fish, Wildlife and Parks
Executive Budget Recommended Modified Level Requests
1987 Biennium

Additional Service	-----FTE-----		Funding	1985
	FY 86	FY 87		Biennium Cost
<u>Centralized Services Division</u>				
1. License Drawing	1.00	1.00	General License	\$ 48,772
2. Word Processor	1.00	1.00	General License	37,675
3. Purchasing/Property Mgr.	1.00	1.00	State Special Revenue	47,270
4. Vehicle Account	0.00	0.00	Proprietary	370,787
5. LCA - Vehicles	0.00	0.00	Proprietary	271,000
6. Equity Transfer	0.00	0.00	General License	100,000
<u>Field Services Division</u>				
7. Insurance Coverage	0.00	0.00	General License	48,000
8. Landowner Insurance Prog.	0.00	0.00	General License	40,000
9. Game Damage Control	.50	.50	General License	104,558
10. Data Processing	1.00	1.00	Overhead	60,369
11. Insurance Payments	0.00	0.00	Insurance Proceeds	50,000
<u>Fisheries Division</u>				
12. Angler Preference	.50	.50	75% Federal/25% General License	155,113
13. Lower Clark Fork Study	3.00	3.00	75% Federal/25% General License	169,028
14. Warm Water Fish Prog.	2.00	2.00	75% Federal/25% General License	101,888
15. Upper Missouri Project	2.00	2.00	75% Federal/25% General License	101,493
16. Painted Rock Water Purchase	0.00	0.00	General License	40,000
17. Headwaters/Missouri River in Flow	0.00	0.00	75% Federal/25% General License	130,000
18. Beaverhead National Forest Fish Inv.	1.00	1.00	General License	51,345
<u>Law Enforcement Division</u>				
19. Colstrip Warden	1.00	1.00	General License	81,868
20. Special Enforcement Operation	.50	.50	General License	95,725
21. Operation Game Thief	0.00	0.00	General License	22,458
22. Travel Increase	0.00	0.00	General License	108,160
<u>Wildlife Division</u>				
23. Hunter Preference	.50	.50	75% Federal/25% General License	150,826
24. Grizzly/Black Bear Trends	2.25	2.25	General License	210,428

-----C O N T I N U E -----

Table 1 (Continued)
Department of Fish, Wildlife and Parks
Executive Budget Recommended Modified Level Requests
1987 Biennium

<u>Additional Service</u>	<u>-----FTE-----</u>		<u>Funding</u>	1985
	<u>FY 86</u>	<u>FY 87</u>		<u>Biennium Cost</u>
<u>Wildlife Division - continued</u>				
25. Dear/Antelope/Elk Harvest	0.00	0.00	75% Federal/25% General License	\$ 415,051
26. Wetland Development	0.00	.27	General License	49,996
27. Landowner Co-Op Mgmt.	2.10	2.10	General License	145,425
28. Furbearers Study	.50	.50	General License	64,348
29. Weed Control Evaluation	0.00	0.00	General License	40,814
30. Computer Programmer	1.00	1.00	75% Federal/25% General License	60,971
31. Federal Aid Equipment	0.00	0.00	General License	90,200
<u>Parks Division</u>				
32. Landscaping-Maintenance	1.00	1.00	State/Proprietary	57,238
33. Park-Operations/Maint.	2.11	2.14	Coal Tax Trust Earnings	99,378
34. Recreation Fee Collections	2.72	2.72	Motorboat Fuel Tax	81,636
35. Land-Based Parks O & M	2.26	2.26	Coal Tax Trust Earnings	110,015
36. Lone Pine O & M	1.00	1.00	Coal Tax Trust Earnings	29,503
37. Crabin Site Appraisals	0.00	0.00	Motorboat Fuel Tax	52,000
38. R3 Fishing Access	.25	.25	General License	7,283
39. R/A Authority	0.00	0.00	Snowblower Replacement	200,000
40. R2 Site Maintenance	.80	.80	Motorboat Fuel Tax	35,405
41. R7 Rec. Site Improve.	1.00	1.00	50% Coal/50% Motorboat	30,816
42. R6 Park Mgr.	.50	.50	General License/Motorboat	41,298
43. R5 Recreation Site Improve.	.50	.50	State Special Revenue	12,682
44. Improved Weed Control	0.00	0.00	50% Coal/50% Motorboat	21,216
45. Bannack Interpreter	.15	.15	Coal Tax Trust Earnings	5,061
46. Sommers Rest Area	.39	.39	Motorboat Fuel Tax	25,090
47. Newlan Creek Reservoir	.10	.10	Motorboat Fuel Tax	4,557
48. Capitol Complex Mapping	0.00	.33	Grands Maintenance	11,547
49. R/A Establishment	0.00	0.00	Snowmobile Fuel Tax	407,690
<u>Conservation Education Division</u>				
50. Video Taping/Editing	1.00	1.00	State Special Revenue	106,763
51. MT Outdoors Promotion	0.00	0.00	State Special Revenue	65,206
52. Regulations Production	.50	.50	General License	25,541
53. Admin. Aide	1.00	1.00	General License	32,380
54. Hunter Education	.25	.50	75% Federal/25% General License	34,550
<u>Administration Division</u>				
55. Account Transfer	<u>0.00</u>	<u>0.00</u>	General License	<u>62,000</u>
Total	<u>36.38</u>	<u>37.26</u>		<u>\$5,022,423</u>

DEPARTMENT OF FISH, WILDLIFE, AND PARKS

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennial
F.T.E	511.29	460.47	459.47	459.47	(5.4)
Personal Service	\$12,250,852	\$12,576,731	\$11,941,054	\$11,961,756	(3.7)
Operating Expense	7,449,499	7,221,013	6,567,745	6,536,955	(10.6)
Equipment	1,141,021	629,296	727,157	730,277	(17.6)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>375,113</u>	<u>605,408</u>	<u>--</u>
Total Operating Costs	\$20,841,372	\$20,427,040	\$19,611,069	\$19,834,396	(5.4)
Non-Operating Costs	<u>1,425,083</u>	<u>1,148,122</u>	<u>3,391,082</u>	<u>3,299,009</u>	<u>159.9</u>
Total Expenditures	<u>\$22,266,455</u>	<u>\$21,575,162</u>	<u>\$23,002,151</u>	<u>\$23,133,405</u>	<u>5.2</u>
Fund Sources					
General Fund	\$ 624,724	\$ 659,430	\$ 512,330	\$ 533,553	(18.5)
State Special	14,399,260	14,276,737	13,894,189	14,113,843	(2.3)
Federal Revenue	5,308,088	4,842,776	6,861,097	6,756,700	34.1
Proprietary Fund	<u>1,934,383</u>	<u>1,796,219</u>	<u>1,734,535</u>	<u>1,729,309</u>	<u>(7.1)</u>
Total Funds	<u>\$22,266,455</u>	<u>\$21,575,162</u>	<u>\$23,002,151</u>	<u>\$23,133,405</u>	<u>5.2</u>

The Department of Fish, Wildlife, and Parks is responsible for the preservation and protection of all forms of Montana's wildlife, their habitat and the natural and cultural resources of aesthetic, scenic, historic, scientific and archaeological significance.

The department consists of eight divisions: Centralized Services, Field Services, Fisheries, Law Enforcement, Wildlife, Parks and Recreation, Conservation Education and Administration. The previous Ecological Services Division was eliminated under the department's reorganization. The responsibilities of the Ecological Services Division were transferred to the Fisheries, Wildlife, Administration and Field Services Divisions. The Field Services Division is a newly created division which includes the field activities of the seven regional headquarters, department personnel functions, game damage activities, aircraft and private land-owner relations.

Reorganization - Fiscal 1984

Effective July 1, 1983, the department has been reorganized. The purpose of the reorganization was to streamline and eliminate duplication of effort in the

Ecological, Fisheries, and Wildlife Divisions and reassign duties to more accurately reflect division goals and objectives. Table 1 reflects the reorganization at the department in fiscal 1984. The Ecological Services Division has been eliminated and a new division created called Field Services Division.

Table 1
Department of Fish, Wildlife, and Parks Reorganization
Fiscal 1984

	Centralized Services	Ecological Services	Fisheries	Enforcement	Wildlife	Parks	Conservation Education	Admin.	Field Services	Total
Authorized Budget (HB 447)	\$4,238,776	\$ 819,301	\$3,001,061	\$3,984,301	\$3,652,116	\$3,709,450	\$867,704	\$1,238,524	\$ -0-	\$21,511,233
Ecological Services Reorganization		(819,301)	336,638		342,031			140,632		
Transfer Regional Headquarters								(745,511)	745,511	
Personnel Transfer	(32,281)		(43,352)	(77,137)	(43,325)	(38,293)		124,970	32,281	
Planning Transfer				(104,122)	(31,721)			2,000		
Pilot Transfer				(88,824)					106,858	
Game Damage Transfer				(27,890)	(33,065)		88,824		104,122	
Hunter Safety Transfer	(17,295)		(28,788)	(297,973)	(108,111)	(13,752)	(6,074)	38,138	88,726	
Other Transfers	(49,576)		(72,140)			(52,045)	82,750	165,108	331,987	
Adjustments										
Total Adjusted Budget	\$4,189,200	-0-	\$3,265,559	\$3,686,328	\$3,886,000	\$3,657,405	\$950,454	\$798,753	\$1,077,498	\$21,511,233
Authorized FTE	42.66	22.01	86.01	90.33	82.08	89.63	18.25	29.50	-0-	460.47
Net FTE Transfers	-0-	(22.01)	5.11	(2.00)	6.71	(2.50)	1.00	(15.31)	29.00	-0-
Adjusted FTE Balance	42.66	-0-	91.12	88.33	88.79	87.13	19.25	14.19	29.00	460.47

Revenue

The department was granted a fee increase by the 1985 legislature to fund a capital expansion bonding program and to replace anticipated reductions in federal Dingell-Johnson (D-J) and Pittman-Robertson (P-R) funds. Pittman-Robertson funds come from excise taxes on sport firearms and ammunition. Similar taxes on fishing equipment comprise the Dingell-Johnson funds. Recently new federal legislation was authorized providing additional D-J funds to promote fish restoration, boat facility development, and aquatic resource education. The amount of D-J expansion funds is not exactly known at this time. However, the fish and wildlife service is estimating an additional \$1.4 million per year. Final rules for spending the additional D-J funds have not been issued. The status of the general license account is presented in Table 2.

Table 2
License Fund
Fiscal Year 1985-1987

	<u>Fiscal '85</u>	<u>Fiscal '86</u>	<u>Fiscal '87</u>
Beginning Unrestricted Fund Balance	\$ 6,052,002	\$ 7,849,035	\$ 9,763,348
Projected Income	<u>14,225,000</u>	<u>14,189,500</u>	<u>13,901,500</u>
Total Funds Available	\$20,277,002	\$22,038,535	\$23,664,848
Disbursements			
Operations Approps.	\$12,804,125	\$11,757,187	11,872,279
Bond Payments	<u>510,965</u>	<u>518,000</u>	<u>520,000</u>
Total Disbursements	<u>\$13,315,090</u>	<u>\$12,275,187</u>	<u>\$12,392,279</u>
Ending Fund Balance	<u><u>\$ 6,961,912</u></u>	<u><u>\$ 9,763,348</u></u>	<u><u>\$11,272,569</u></u>

The \$14,189,000 and \$13,901,500 annual revenue estimates in the 1987 biennium do not include any fee increase. While the current level costs would allow for some roll-back of previous license increases, the department is tentatively proposing the fee increases in Table 3.

Table 3
Department of Fish, Wildlife, and Parks Proposed Fee Increases
1987 Biennium

<u>License</u>	<u>Increase Per License</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
Resident Fishing	\$ 2.00	\$120,000	\$ 184,500
Non-resident Season Fishing	\$ 5.00	10,500	17,600
Non-resident Combination	<u>\$50.00</u>	<u>850,000</u>	<u>850,000</u>
Total		<u>\$980,500</u>	<u>\$1,052,100</u>

The department stated that this increase is necessary to fund the current level operation, modified requests, pay plan, and their capital program. The department's capital project proposals funded from the general license account total \$3,487,000 in cash and \$4,950,000 in bonds in the 1987 biennium.

Legislative Contract Authority

The department is requesting \$2.4 million annually in Legislative Contract Authority (LCA) for the 1987 biennium. The legislature granted \$600,000 in LCA for the department in each year of the 1985 biennium. The department utilizes this additional federal spending authority for a variety of federal contracts which would ordinarily require a budget amendment. The \$2.4 million is allocated for each division in Table 4.

Table 4
Allocation of Legislative Contract Authority
1987 Biennium

<u>Division</u>	<u>FY 86</u>	<u>FY 87</u>
Fisheries	\$1,247,000	\$1,201,000
Wildlife	1,015,000	978,000
Administration	15,000	15,000
Centralized Services	40,000	40,000
Conservation Education	30,000	30,000
Enforcement	84,000	84,000
Field Services	45,000	45,000
Total	<u>\$2,476,000</u>	<u>\$2,393,000</u>

Because the department will not be subject to budget amending the LCA included in their budget for the 1987 biennium, the legislature may want to include the following restrictions in the appropriate bill.

1. LCA must be funded with federal reimbursements only.
2. LCA must be assigned to each division by line-item.
3. LCA expenditures must be documented separately from current level operations.
4. A report shall be submitted by the department to the Legislative Fiscal Analyst at the end of fiscal 1986 and at the end of fiscal 1987 which includes the following:
 - (a) a description of the additional services provided by each grant of federal funds.
 - (b) an evaluation of the effectiveness of the additional services relating to each grant.

Overhead

The department's current level operation is funded with overhead funds which will be collected from federal funds including the \$2.4 in federal LCA in the 1987 biennium. The overhead funds are utilized to support the Centralized Services, Administration, and Field Services Divisions. The department estimates at least \$1,063,002 will be available in fiscal 1986 and \$1,060,853 will be available

in fiscal 1987 in federal funds to support the department's overhead costs. These funds have been distributed to the department according to Table 5

Table 5
Federal Revenue
Overhead Distribution

<u>Division</u>	<u>FY 86</u>	<u>FY 87</u>
Centralized Services (33%)	\$ 350,792	\$ 350,082
Field Services (43%)	457,090	456,167
Administration (24%)	255,120	254,604
Total	<u>\$1,063,002</u>	<u>\$1,060,853</u>

CENTRALIZED SERVICES

<u>Budget Item</u>	<u>Actual Fiscal 1984</u>	<u>Appropriated Fiscal 1985</u>	<u>---Current Level---</u>		<u>% Change 1985-87 Biennium</u>
			<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	
F.T.E	43.32	43.52	43.52	43.52	0.2
Personal Service	\$ 895,169	\$1,014,071	\$ 979,256	\$ 980,641	2.6
Operating Expense	1,997,276	2,587,846	1,907,425	1,869,918	(17.6)
Equipment	673,111	521,482	470,607	451,295	(22.8)
Inflation	-0-	-0-	65,953	106,025	--
Total Operating Costs	\$3,565,556	\$4,123,399	\$3,423,241	\$3,407,879	(11.1)
Non-Operating Costs	-0-	-0-	40,000	40,000	--
Total Expenditures	<u>\$3,565,556</u>	<u>\$4,123,399</u>	<u>\$3,463,241</u>	<u>\$3,447,879</u>	<u>(10.1)</u>
<u>Fund Sources</u>					
State Special	\$1,491,468	\$1,585,001	\$1,455,070	\$1,451,501	(5.5)
Federal Revenue	245,967	850,633	390,792	390,082	(28.7)
Revolving Fund	1,828,121	1,687,765	1,617,379	1,606,296	(8.3)
Total Funds	<u>\$3,565,556</u>	<u>\$4,123,399</u>	<u>\$3,463,241</u>	<u>\$3,447,879</u>	<u>(10.1)</u>

The Centralized Services Division is an administrative and support unit with two bureaus. The Accounting and Finance Bureau is responsible for the budgeting, property accounting, deposit of funds, personnel, payment of vendor invoices, payroll, and monitoring the finances of the department's vehicle fleet and

warehouse operations. The License Bureau is responsible for drawings for licenses and permits for game animals and administration of hunting and fishing licenses through license dealers.

Fiscal 1985 federal revenue total includes \$600,000 in legislative contract authority.

Funding for the division is from general license funds and other state special and federal revenue accounts. Funding from federal indirect cost reimbursements is maximized to account for all estimated revenues. Maximizing the federal indirect cost funds reduces the spending required from the general license fund.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	42.66	42.66	0.00
Personal Services	\$ 951,927	\$ 889,363	\$ 62,564
Operating Expenses	2,035,692	1,898,183	137,509
Equipment	601,581	673,111	(71,530)
Total Expenditures	<u>\$3,589,200</u>	<u>\$3,460,657</u>	<u>\$ 128,543</u>
<u>Funding</u>			
State Special	\$1,561,319	\$1,491,468	\$ 79,851
Federal Revenue	249,768	226,543	23,225
Proprietary Fund	1,768,113	1,742,646	25,467
Total Funds	<u>\$3,579,200</u>	<u>\$3,460,657</u>	<u>\$ 128,543</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 104,899	\$(104,899)

In fiscal 1984, the Centralized Services Division underspent its appropriation by \$128,543. Vacant positions account for approximately \$62,000 while operating expenses were underspent by approximately \$137,509, primarily in goods purchased for resale.

Current Level Adjustments

Janitorial services for the Helena Headquarters Building are increased \$889. Computer services are also increased \$1,300 in fiscal 1986 and \$4,800 in fiscal 1987.

Audit costs are \$46,200 in fiscal 1986. Audit costs in fiscal 1984 were \$28,187.

Removed from the current level is \$334,894 in depreciation. This expenditure is non-budgeted and need not be appropriated.

Commissions paid to license agents are \$311,659 in fiscal 1986 and \$315,710 in fiscal 1987. Section 87-2-903, MCA, provides that a license dealer will receive 30 cents for each license sold. Over the past two years, the number of licenses sold has increased 1.3 percent. In fiscal 1984, the department paid license dealers \$307,659.

Replacements for 46 vehicles in fiscal 1986 will cost \$456,000, while replacement for 38 vehicles will cost \$449,000 in fiscal 1987. This replacement schedule is based on the department's policy of replacing vehicles at 85,000 miles. The department logged 4.2 million miles in fiscal 1984 with the majority of these in the Enforcement Division. The department uses a proprietary fund to account for vehicle costs. All department vehicle costs are included in the Centralized Services Division. Other equipment includes one tire changer \$2,000, one postage meter, \$5,000, and office equipment, \$9,102.

The division is funded similar to fiscal 1984. The department applies its federally approved overhead rate at the various special revenue funds in an effort to distribute the administrative cost to all functions of the agency.

Funding from federal cost reimbursements is maximized in this division to eliminate accumulated funds. Funding for the division includes \$350,792 in fiscal 1986 and \$350,082 in fiscal 1987 of federal indirect cost reimbursements. Due to the higher revenue estimate for these federal funds, more funding is being applied to the division in the 1987 biennium than was applied in the 1985 biennium. Maximizing these funds will reduce the spending required from general license funds.

FIELD SERVICES DIVISION

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	29.07	29.00	29.00	29.00	(0.1)
Personal Service	\$ 746,640	\$ 809,356	\$ 784,942	\$ 786,490	0.9
Operating Expense	296,285	280,700	297,668	297,751	3.1
Equipment	4,370	-0-	18,292	102,230	2,657.9
Inflation	-0-	-0-	26,350	41,712	--
Total Operating Costs	\$1,047,295	\$1,090,956	\$1,127,252	\$1,228,183	10.2
Non-Operating Costs	2,811	-0-	53,573	48,000	3,513.4
Total Expenditures	<u>\$1,050,106</u>	<u>\$1,090,056</u>	<u>\$1,180,825</u>	<u>\$1,276,183</u>	<u>14.8</u>
<u>Fund Sources</u>					
State Special	\$1,049,562	\$ 854,622	\$ 678,735	\$ 775,016	(23.6)
Federal Revenue	544	235,434	502,090	501,167	325.1
Total Funds	<u>\$1,050,106</u>	<u>\$1,090,056</u>	<u>\$1,180,825</u>	<u>\$1,276,183</u>	<u>14.8</u>

The Field Services Division was created under the department's reorganization which became effective in fiscal 1984. The division was created primarily from the now defunct Ecological Services Division. The Field Services Division includes the seven regional supervisors and staff.

The Field Services Division is responsible for coordinating and supervising field activities of the seven regional headquarters, department personnel functions, game damage activities, and aircraft and private landowner relations.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	29.00	29.00	0.00
Personal Services	\$ 792,882	\$ 746,640	\$ 46,242
Operating Expenses	284,616	296,285	(11,669)
Equipment	-0-	7,181	(7,181)
Total Expenditures	<u>\$1,077,498</u>	<u>\$1,050,106</u>	<u>\$ 27,392</u>
<u>Funding</u>			
State Special	<u>\$1,077,498</u>	<u>\$1,050,106</u>	<u>\$ 27,392</u>
<u>Additions</u>			
Legislative Contract Authority	\$ 1,124	\$ 543	\$ 581

In fiscal 1984, the Field Services Division was allocated \$1,124 in legislative contract authority from the Centralized Services Division. Associated with this contract authority was .07 FTE. Actual expenditures from this authority was \$543.

Current Level Adjustments

The Field Services Division includes \$600 annually in overtime services for evening and weekend work issuing licenses during special damage hunts. In fiscal 1984, the division spent \$1,137 for overtime.

Operating expenditures increase \$160 annually for security protection for the new headquarters building in Missoula. Repair and maintenance costs increased \$5,250 for data processing equipment installed in all seven regions.

Equipment in the division for the 1987 biennium includes: replacement of two copy machines in Region 2 and 7 Headquarters - \$7,600; replacement of one refrigerator in Region 4 Headquarters used for storing biological samples - \$700; replacement of office equipment - \$11,322; one snow plow - \$1,500; and replacement of lawn and grounds keeping equipment - \$900.

Two capital expenditures are included in the 1987 biennium. First, \$8,573 is included in fiscal 1986 to repave the parking lot at Region 7 Headquarters. Second, \$3,000 is included in fiscal 1987 to hook up the Region 5 Headquarters complex to the city sewer.

Funding for the division includes \$457,090 in fiscal 1986 and \$456,167 in fiscal 1987 of federal indirect cost reimbursements. Federal funding in this program is increased substantially over fiscal 1984 as part of the department's attempt to

utilize the federal indirect cost funds to support the administrative support divisions in the department. The division receives 43 percent of available federal overhead cost funds.

In fiscal 1987, the division includes \$100,000 to conduct a mandatory overhaul of a helicopter including engine, transmission, and rotor blades. The helicopter will reach the 5,000 hour service mark in fiscal 1987. The overhaul will be funded with general license funds.

FISHERIES

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	124.83	90.79	90.79	90.79	(15.7)
Personal Service	\$2,798,002	\$2,327,724	\$2,315,075	\$2,319,136	(9.5)
Operating Expense	1,210,716	875,716	934,683	937,159	(10.2)
Equipment	88,914	4,500	58,350	31,355	(3.9)
Inflation	-0-	-0-	52,231	83,777	--
Total Operating Costs	\$4,097,632	\$3,207,940	\$3,360,339	\$3,371,427	(7.8)
Non-Operating Costs	5,000	16,000	1,266,500	1,217,000	11726.1
Total Expenditures	<u>\$4,102,632</u>	<u>\$3,223,940</u>	<u>\$4,626,839</u>	<u>\$4,588,427</u>	<u>25.7</u>
<u>Fund Sources</u>					
State Special	\$2,596,923	\$2,551,237	\$2,584,184	\$2,609,942	0.8
Federal Revenue	<u>1,505,709</u>	<u>672,703</u>	<u>2,042,655</u>	<u>1,978,485</u>	<u>84.5</u>
Total Funds	<u>\$4,102,632</u>	<u>\$3,223,940</u>	<u>\$4,626,839</u>	<u>\$4,588,427</u>	<u>25.7</u>

The Fisheries Division is responsible for the management of Montana's fisheries resources to provide optimum sport fishing. Management strategies attempt to maintain an efficient fish culture program consistent with state needs; to preserve, restore, and improve fish habitat; to maintain optimum populations of desirable fish in state waters; to provide workable fishing regulations to distribute fish equitably; to promote, where practical, commercial utilization of rough fish; and to provide and maintain the best possible recreational fishing.

Funding for the division is from general license funds and federal Dingell-Johnson funds. Dingell-Johnson funds come from a federal excise tax on fishing equipment. The Dingell-Johnson funds require a 25 percent state match. The amount of Dingell-Johnson expansion funds is not exactly known at this time. However, the Fish and Wildlife Service is estimating an additional \$1.4 million per

year. The additional Dingell-Johnson funds are not included in current level in the 1987 biennium.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	91.12	91.12	0.00
Personal Services	\$2,217,760	\$2,179,250	\$ 38,510
Operating Expenses	992,412	969,502	22,910
Equipment	39,387	69,806	(30,419)
Total Operating Costs	\$3,249,559	\$3,218,558	\$31,001
Non-Operating Costs	16,000	5,000	11,000
Total Expenditures	<u>\$3,265,559</u>	<u>\$3,223,558</u>	<u>\$ 42,001</u>
<u>Funding</u>			
State Special	\$2,612,786	\$2,596,923	\$ 15,863
Federal Revenue	652,773	626,635	26,138
Total Funds	<u>\$3,265,559</u>	<u>\$3,223,558</u>	<u>\$ 42,001</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 677,889	\$(677,889)
Legislative Contract Authority	\$ 253,284	\$ 201,185	\$ 52,099

Fiscal 1985 FTE reflects the additional transfer of .33 FTE to the Centralized Services Division.

Current Level Adjustments

The department contracts for laboratory testing of fish tissue samples for pesticide analysis and other chemical substances. In fiscal 1986, a one-time increase of approximately \$2,000 is included for the testing of a new study area in the Missouri River. Other contract services for the division are continued at current level.

An additional \$14,200 is included in the division budget for the 1987 biennium to purchase fish food. This increase is due to an expanded level of production at the Giant Springs Trout Hatchery and the Arlee Hatchery. The Arlee Hatchery was out of production in fiscal 1984 due to an infectious virus in the hatchery water supply.

The equipment in Table 6 is included in the division for the 1987 biennium:

Table 6
Fisheries Division Equipment
1987 Biennium

Replacement	FY 86	FY 87
Hydroacoustic Data System	\$11,000	\$ -0-
Cassette Recorder	3,500	-0-
Outboard Motors	5,400	9,200
Electrofisher	2,000	-0-
Generators	750	2,100
Electrofish Shocker	1,500	-0-
Water Softener - Water Heater	2,350	-0-
Refrigerator - Range	550	5,030
Table Saw	800	-0-
Autoclave	2,200	-0-
Heating System	7,000	-0-
Frame Traps and Leads	1,800	-0-
Streamflow Measuring Equipment	1,500	1,500
Backpack Shacker	1,250	-0-
Fish Tank	10,000	-0-
Mowers	1,300	225
Boat - Rogue River	2,000	-0-
Boat Trailer	950	-0-
Aluminum Boat	-0-	800
Boat Motor - Trailer	-0-	11,500
Pump	-0-	1,000
Boston Whaler	2,500	-0-
Total Equipment	\$58,350	\$31,355
Garage - Remodel	3,500	-0-
Total	<u>\$61,850</u>	<u>\$31,355</u>

Fiscal 1986 includes \$3,500 to rebuild a garage in Big Timber. The existing garage is 36 years old and in poor condition. The garage is used for equipment storage.

The Montana Cooperative Fishery Research Unit is supported one-third by each the U.S. Fish and Wildlife Service, Montana State University, and the department. The department's share of this support is \$16,000 in each year of the 1987 biennium. The funding provides graduate level training in fisheries and fisheries research.

LAW ENFORCEMENT

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	89.44	87.33	86.33	86.33	(2.3)
Personal Service	\$2,591,891	\$2,943,017	\$2,544,419	\$2,548,979	(7.9)
Operating Expense	785,688	612,623	688,801	689,344	(1.4)
Equipment	195,889	58,717	67,970	44,400	(55.8)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>45,791</u>	<u>75,134</u>	<u>--</u>
Total Operating Costs	\$3,573,468	\$3,614,357	\$3,346,981	\$3,357,857	(6.7)
Non-Operating Costs	<u>272,841</u>	<u>1,500</u>	<u>374,000</u>	<u>374,000</u>	<u>172.6</u>
Total Expenditures	<u>\$3,846,309</u>	<u>\$3,615,857</u>	<u>\$3,720,981</u>	<u>\$3,731,857</u>	<u>(0.1)</u>
<u>Fund Sources</u>					
State Special	\$3,761,323	\$3,548,413	\$3,636,981	\$3,647,857	(0.3)
Federal Revenue	<u>84,986</u>	<u>67,444</u>	<u>84,000</u>	<u>84,000</u>	<u>10.2</u>
Total Funds	<u>\$3,846,309</u>	<u>\$3,615,857</u>	<u>\$3,720,981</u>	<u>\$3,731,857</u>	<u>(0.1)</u>

The Law Enforcement Division is responsible for protecting fish and wildlife and their habitat and for protecting recreation, historic, and archaeologic sites from willful or negligent destruction. Management duties include administration of special purpose licenses, outfitters, assisting landowners in alleviating wildlife damage, and conservation officer training.

Funding for the division is from general license fund and other earmarked revenues including revenue from snowmobile registration fees, the motorboat certification identification fee, and fuel tax.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	88.33	88.33	0.00
Personal Services	\$2,853,391	\$2,513,340	\$ 340,051
Operating Expenses	710,170	706,264	3,906
Equipment	122,767	153,497	(30,730)
Total Operating Costs	\$3,686,328	\$3,373,101	\$ 313,227
Non-Operating Costs	-0-	272,841	(272,841)
Total Expenditures	<u>\$3,686,328</u>	<u>\$3,645,942</u>	<u>\$ 40,386</u>
<u>Funding</u>			
State Special	<u>\$3,686,328</u>	<u>\$3,645,942</u>	<u>\$ 40,386</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 200,367	\$(200,367)

In fiscal 1985, the Law Enforcement Division transferred an additional 1.00 FTE to the Conservation Education Division. The impact of these transfers is to move two pilot positions to the Field Services Division and move the Hunter Safety and Boating Safety Programs to the Conservation Education Division.

Current Level Adjustments

In the 1987 biennium, the Colstrip Warden position authorized by the 1985 legislature was eliminated. This position was approved contingent on funding provided by the Coal Board. Funding was not authorized so the position was not filled.

Operating expenses totaling \$11,182 were transferred from the Law Enforcement Division to the Conservation Education Division. This move will consolidate the Snowmobile and Boating Safety Education Programs in the Conservation Education Division.

Gasoline is increased approximately \$6,900 in the 1987 biennium for boat, snowmobile, and motorcycle gas drive. Increased recreational use of waterways has increased the patrols necessary.

Equipment included in the 1987 biennium is detailed in Table 7.

Table 7
Law Enforcement Division Equipment
1987 Biennium

<u>Replacement Equipment</u>	<u>FY 86</u>	<u>FY 87</u>
Communications	\$11,180	\$ -0-
Law Enforcement	43,240	32,350
Marine	8,500	3,500
Shop - Plant	1,000	500
Photographic	750	750
Scientific Apparatus	300	300
Horses	3,000	2,000
Total Equipment	<u>\$67,970</u>	<u>\$39,400</u>

The Law Enforcement Division is authorized to collect fines resulting from violations of Department of Fish, Wildlife and Parks regulations and statutes. In the 1987 biennium \$290,000 is included each year. These funds are used to pay warden retirement benefits.

WILDLIFE

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>---Current Level---</u>		<u>% Change</u> <u>1985-87</u> <u>Biennium</u>
	<u>Fiscal</u> <u>1984</u>	<u>Fiscal</u> <u>1985</u>	<u>Fiscal</u> <u>1986</u>	<u>Fiscal</u> <u>1987</u>	
F.T.E.	103.19	89.14	89.14	89.14	(7.3)
Personal Service	\$2,629,233	\$2,557,387	\$2,457,756	\$2,461,966	(5.1)
Operating Expense	1,631,324	1,425,104	1,246,997	1,252,869	(18.2)
Equipment	62,194	23,530	39,160	36,467	(11.7)
Inflation	-0-	-0-	85,735	139,747	--
Total Operating Costs	\$4,322,751	\$4,006,021	\$3,829,648	\$3,891,049	(7.3)
Non-Operating Costs	19,275	20,087	1,032,009	995,009	5049.6
Total Expenditures	<u>\$4,342,026</u>	<u>\$4,026,108</u>	<u>\$4,861,657</u>	<u>\$4,886,058</u>	<u>16.4</u>
<u>Fund Sources</u>					
State Special	\$2,154,937	\$2,256,673	\$1,892,456	\$1,954,906	(12.7)
Federal Revenue	2,187,089	1,769,435	2,969,201	2,931,152	49.1
Total Funds	<u>\$4,342,026</u>	<u>\$4,026,108</u>	<u>\$4,861,657</u>	<u>\$4,886,058</u>	<u>16.4</u>

The Wildlife Division is responsible for the department's survey, inventory, and research of the state's wildlife resource and its habitat. The division operates and maintains the department's wildlife management areas in the state which total 270,000 acres. The goal of the Wildlife Division is to protect, perpetuate, enhance, and regulate the wise use of the wildlife resource for public benefit.

The division is funded from general license funds, federal Pittman-Robertson funds, and non-game state revenues. The 1983 legislature created a non-game check-off on the income tax return. This created a funding source that is being used to replace general license dollars presently spent on the non-game program. In the 1987 biennium, \$45,000 annually is included in the division's current level budget.

Federal Pittman-Robertson funds are increased in the 1987 biennium. The increase in federal funds will reduce the funding from the general license funds.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	88.79	88.79	0.00
Personal Services	\$2,476,440	\$2,369,635	\$ 106,805
Operating Expenses	1,367,039	1,450,918	(83,879)
Equipment	25,130	39,263	(14,133)
Total Operating Costs	\$3,868,609	\$3,859,816	\$ 8,793
Non-Operating Costs	17,427	14,820	2,607
Total Expenditures	<u>\$3,886,036</u>	<u>\$3,874,636</u>	<u>\$ 11,400</u>
<u>Funding</u>			
State Special	\$2,147,101	\$2,154,937	\$ (7,836)
Federal Revenue	1,738,935	1,719,699	19,236
Total Funds	<u>\$3,886,036</u>	<u>\$3,874,636</u>	<u>\$ 11,400</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 226,856	\$(226,856)
Legislative Contract Authority	\$ 281,482	\$ 240,534	\$ 40,948

In fiscal 1984, approximately 15 FTE were added to the division by budget amendments. Expenditures from budget amendments total \$226,856 in fiscal 1984.

In fiscal 1985, the division added .68 FTE from the Administration Division and transferred .33 FTE to the Centralized Services Division. The 1987 biennium reflects the addition of .25 FTE which was transferred from the Administration Division to the Wildlife Division in fiscal 1985.

Current Level Adjustments

Operating expenses are increased approximately \$800 to provide laboratory testing for various wildlife species. Printing is also increased approximately \$7,000 to print hunting regulations, professional papers, questionnaires and progress reports.

Consultant services are provided for in the following areas: removal of slash from Mt. Haggin; maintenance on wildlife management areas; data analysis for harvest surveys; university research for deer and grizzly bear; and computer programming. Total cost of these services is \$256,250 in fiscal 1986 and \$261,260 in fiscal 1987.

Diesel fuel is increased \$900 for use in department-owned or rented equipment.

A one-time telephone increase of \$690 in fiscal 1986 and \$190 in fiscal 1987 is included to update regional office phones and pay telephone installation charges.

Data processing equipment rental is included for \$1,650 in fiscal 1986 and \$1,550 in fiscal 1987 for use in compiling and analyzing data in the performance of jobs related to management of and research on the state's wildlife resources.

Funds for major overhauls to large equipment items such as backhoes and bulldozers is included in the 1987 biennium. An increase of approximately \$10,000 in fiscal 1986 and \$16,000 in fiscal 1987 will maintain the department's fleet of heavy equipment items.

Equipment items for the Wildlife Division are included in Table 8.

Table 8
Wildlife Division Equipment
1987 Biennium

<u>Replacement Equipment</u>	<u>FY 86</u>	<u>FY 87</u>
Scientific Apparatus	\$ 700	\$ 400
Field Monitoring	28,868	26,375
Chain Saws, Snowmobile	6,500	6,500
Horses	1,000	1,000
Office	1,592	1,592
Shop	500	600
Total Equipment	<u>\$39,160</u>	<u>\$36,467</u>

Three grants for research totaling \$17,009 each year are included in the 1987 biennium. The grants are summarized below:

1. \$5,467 annually to document and evaluate population and habitat characteristics of white-tailed deer on river bottom and prairie lands in southwestern Montana.
2. \$6,075 annually to document and evaluate population and habitat characteristics of mule deer in prairie agricultural areas of southeastern Montana.
3. \$5,467 to determine various biological requirements and behaviors of bobcats in western Montana.

PARKS AND RECREATION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
T.E	87.50	87.43	87.43	87.43	(0.7)
Personal Service	\$1,596,222	\$1,846,919	\$1,775,751	\$1,779,035	3.2
Operating Expense	897,515	796,963	879,775	879,335	3.8
Equipment	55,600	5,400	54,690	54,890	79.6
Inflation	-0-	-0-	72,798	116,327	--
Total Operating Costs	\$2,549,337	\$2,649,282	\$2,783,014	\$2,829,587	7.9
Non-Operating Costs	<u>1,045,156</u>	<u>1,030,535</u>	<u>500,000</u>	<u>500,000</u>	(51.8)
Total Expenditures	<u>\$3,594,493</u>	<u>\$3,679,817</u>	<u>\$3,283,014</u>	<u>\$3,329,587</u>	<u>(9.0)</u>
Fund Sources					
General Fund	\$ 624,724	\$ 659,430	\$ 512,330	\$ 533,553	(18.5)
State Special	1,821,137	1,881,398	2,153,528	2,173,021	16.8
Federal Revenue	1,042,370	1,030,535	500,000	500,000	(51.7)
Proprietary Fund	<u>106,262</u>	<u>108,454</u>	<u>117,156</u>	<u>123,013</u>	<u>11.8</u>
Total Funds	<u>\$3,594,493</u>	<u>\$3,679,817</u>	<u>\$3,283,014</u>	<u>\$3,329,587</u>	<u>(9.0)</u>

The Parks and Recreation Division is responsible for the operation and maintenance of the state park system, including state parks, recreation areas, monuments, recreational waterways, recreational ponds and trails and fishing access sites. The division is also responsible for conservation of the scenic, historic, archaeological, scientific and recreational resources of the state; the administration of the federal land and water conservation fund in Montana; the administration of snowmobile recreation in Montana, by providing maintenance and installation of snowmobile facilities; and maintenance of the capital complex grounds a responsibility added to the parks division by the 1983 legislature.

Funding for the division is received from general fund, snowmobile registrations snowmobile fuel tax, coal tax, motorboat fuel tax, state park revenue and fishing license revenue. Capital grounds maintenance is supported through charges to all agencies.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	87.13	87.13	0.00
Personal Services	\$1,813,344	\$1,596,222	\$ 217,122
Operating Expenses	780,165	897,515	(117,350)
Equipment	33,361	55,600	(22,239)
Total Operating Costs	\$2,626,870	\$2,549,337	\$ 77,533
Non-Operating Costs	1,030,535	1,030,156	379
Total Expenditures	<u>\$3,657,405</u>	<u>\$3,579,493</u>	<u>\$ 77,912</u>
<u>Funding</u>			
General Fund	\$ 628,519	\$ 624,724	\$ 3,795
State Special	1,872,811	1,821,137	51,674
Federal Revenue	1,030,535	1,027,370	3,165
Proprietary Fund	125,540	106,262	19,278
Total Funds	<u>\$3,657,405</u>	<u>\$3,579,493</u>	<u>\$ 77,912</u>
<u>Additions:</u>			
Legislative Contract Authority	\$ 15,000	\$ 15,000	-0-

In fiscal 1984, the Parks and Recreation Division underspent its appropriation by \$77,912. Vacant positions allowed the division to underspend its appropriation for personal services by \$217,122 and increase its operating and equipment expenditures by \$139,589.

Current Level Adjustments

Overtime is include in the division budget for \$11,000 in fiscal 1986 and \$12,100 in fiscal 1987. In fiscal 1984, the division spent \$11,388 for overtime services. The overtime is necessary to cover holidays, weekends, and emergency requirements.

The divisions operating budget is continued at current level with the following adjustments: One-time telephone charges are increased \$1,188 in fiscal 1986 to install phones for new facilities and to replace outdated telephone equipment in several regional offices. Rental expenses are increased approximately \$7,200 over the 1987 biennium for non state-owned buildings such as the sign shop in Whitehall and boating facilities at Canyon Ferry. Repair and maintenance expenses are increased \$1,400 annually to maintain data processing equipment at the regional offices.

Equipment included in the 1987 biennium is summarized in Table 9:

Table 9
Parks and Recreation Division Equipment
1987 Biennium

<u>Replacement Equipment</u>	<u>FY 86</u>	<u>FY 87</u>
Agricultural	\$46,790	\$46,590
Communications	7,900	-0-
Trailers	-0-	8,300
Total Equipment	<u>\$54,690</u>	<u>\$54,890</u>

The division includes \$500,000 annually in the 1987 biennium for grants from the Federal Land and Water Conservation Fund (LWC). The purpose of these grants is to provide for the acquisition of public recreation land and the construction of public recreation facilities. The department receives requests from government entities such as incorporated cities and towns, counties, state agencies and institutions, and Indian tribes. The LWC funds are then used for 50 percent of the cost of the project, with the government entity providing the remaining 50 percent. The division will distribute the LWC funds according to the following schedule in Table 10.

Table 10
Federal Land and Water Conservation Fund Distribution
1987 Biennium

<u>Public Entity</u>	<u>FY 86</u>	<u>FY 87</u>
County Governments	\$250,000	\$250,000
Municipal Governments	100,000	100,000
Town Governments	100,000	100,000
School Districts	50,000	50,000
Total Funds	<u>\$500,000</u>	<u>\$500,000</u>

In fiscal 1984, \$1,030,156 was spent in Federal Land and Water Conservation Funds. Less funds will be distributed in the 1987 biennium due to a reduction in the availability of funds.

The capitol grounds maintenance and snow removal function was transferred to the department by the 1983 legislature. The department is requesting the existing maintenance effort be increased to add the cost of the new DNRC building the Fish, Wildlife and Parks warehouse complex, the new liquor warehouse, the original Governor's mansion, and the cost of flowers in the capitol complex. The 1987 biennium includes \$117,156 in fiscal 1986 and \$123,013 in fiscal 1987 to maintain the current level effort in capitol grounds maintenance. This effort has included the cost of flowers in the capitol complex in the past. There is no reason why the provision of flowers cannot be provided under the current level budget in the 1987 biennium. Capitol grounds maintenance is funded through a proprietary account which is supported by charges from other agencies.

CONSERVATION EDUCATION

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	19.25	20.25	20.25	20.25	2.5
Personal Service	\$542,397	\$ 599,057	\$ 603,878	\$ 604,392	5.8
Operating Expense	402,710	403,763	405,600	408,336	0.9
Equipment	12,184	9,667	13,488	9,040	3.0
Inflation	-0-	-0-	14,399	23,344	-
Total Operating Costs	\$957,291	\$1,012,487	\$1,037,365	\$1,045,112	5.7
Non-Operating Costs	-0-	-0-	30,000	30,000	100.0
Total Expenditures	<u>\$957,291</u>	<u>\$1,012,487</u>	<u>\$1,067,365</u>	<u>\$1,075,112</u>	<u>8.7</u>
<u>Fund Sources</u>					
State Special	\$813,712	\$ 869,196	\$ 965,126	\$ 972,902	15.1
Federal Revenue	<u>143,579</u>	<u>143,291</u>	<u>102,239</u>	<u>102,210</u>	(28.7)
Total Funds	<u>\$957,291</u>	<u>\$1,012,487</u>	<u>\$1,067,365</u>	<u>\$1,075,112</u>	<u>8.7</u>

The Conservation Education Division is responsible for the public relations functions of the department including film production and publication and

distribution of the Montana Outdoors Magazine. The division informs the public about fish and wildlife laws, administrative rules, and policies that are designed to regulate outdoor recreational activities.

Funding for the Conservation Education Division is from general license revenue and federal Pittman-Robertson funds.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	19.25	19.25	0.00
Personal Services	\$566,147	\$542,397	\$ 23,750
Operating Expenses	377,807	401,310	(23,503)
Equipment	6,500	12,184	(5,684)
Total Expenditures	<u>\$950,454</u>	<u>\$955,891</u>	<u>\$ (5,437)</u>
<u>Funding</u>			
State Special	\$807,929	\$813,712	\$ (5,783)
Federal Revenue	142,525	142,179	346
Total Funds	<u>\$950,454</u>	<u>\$955,891</u>	<u>\$ (5,437)</u>
<u>Additions:</u>			
Legislative Contract Authority	\$ 1,400	\$ 1,400	-0-

In fiscal 1984, a \$6,000 program transfer was made from the Administration Division to the Conservation Education Division.

Current Level Adjustments

Salaries were increased approximately \$3,500 to reflect the upgrade of one program officer position from grade 12 to grade 14. This upgrade was based on a position audit by the State Personnel Division.

Operating expenditures are increased \$11,182 due to the transfer of the Hunter Safety and Boating Safety Programs from the Law Enforcement Division. An equal reduction in operating expenditures was applied to the Law Enforcement Division in the 1987 biennium.

Part of the production of the Montana Outdoors Magazine involves typesetting articles prior to their being sent to the printer. An additional \$2,849 is included to accomplish this task.

Additional computer services are included to maintain a listing of all people certified under the Hunter Education Program. The department certifies approximately 6,000 people annually. This service will cost an additional \$1,386 annually in the 1987 biennium.

The following equipment items are included in the Conservation Education Division for the 1987 biennium: miscellaneous wild animal skins for informational purpose - \$5,545; two video recorder/players - \$5,000; office equipment - \$3,875; four movie projectors, one camera, five slide projectors, four screens and five batteries - \$8,108.

Funding for the division in the 1987 biennium is from general licenses revenues and federal Dingell-Johnson/Pittman-Robertson funds. In fiscal 1984, the division was partially funded with federal indirect cost funds. The department has requested that the federal overhead cost revenue be used to fund only the divisions providing administrative support to the department, namely the Centralized Services Division, the Field Services, and the Administration Division. Therefore, all federal indirect cost revenues are applied to the three administrative support divisions. This application will reduce general license funding.

Montana Outdoors

Based on an analysis of fiscal years 1981 through 1984, the Montana Outdoors Magazine has lost money each year. Table 11 shows a comparison of the cost of publications, the increase from the magazine publication and the percentage of the cost covered by the income generated from magazine sales. Magazine revenues are deposited in the general license account.

Table 11
Montana Outdoors Magazine

<u>Year</u>	<u>Publication Costs</u>	<u>Sales Income</u>	<u>Ratio of Income to Cost</u>
FY 81	\$277,218	\$163,419	59%
FY 82	262,546	156,790	60%
FY 83	308,812	137,629	44%
FY 84	300,384	202,567	67%
Average	287,240	165,101	57%

The Montana Outdoors Magazine has sold an average of 35,500 copies over the period 1981-1984. The magazine on average has only been 57 percent

self-supporting over the same period. The department has implemented price increases periodically since 1975 with the last price increases in 1983. However, the department's objective is to keep the magazine approximately 60 percent self-supporting. The department has considered selling advertising in the magazine to generate additional income, but has not done so for the following reasons:

1. The magazine is viewed by the department as an information and education tool - the intent is not to make money or to make the program pay for itself. Advertising would detract from the quality of the magazine as an educational device.
2. It has not been demonstrated in other states that advertising generates sufficient revenue to make it worthwhile. Only a few state conservation magazines carry advertising, and these do so on a very limited basis.
3. Selling advertising would put the magazine in direct competition with magazines in the private sector. The intent of Montana Outdoors is not to compete with privately published magazines, but to provide a service to Montana's sportsmen.

ADMINISTRATION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	14.69	13.01	13.01	13.01	(6.0)
Personal Service	\$451,298	\$479,200	\$479,977	\$481,117	3.2
Operating Expense	227,985	238,298	206,796	202,243	(12.2)
Equipment	48,759	6,000	4,600	600	(90.5)
Inflation	-0-	-0-	11,856	19,342	--
Total Operating Costs	\$728,042	\$723,498	\$703,229	\$703,302	(3.1)
Non-Operating Costs	80,000	80,000	95,000	95,000	18.7
Total Expenditures	<u>\$808,042</u>	<u>\$803,498</u>	<u>\$798,229</u>	<u>\$798,302</u>	<u>(0.9)</u>
Fund Sources					
State Special	\$710,198	\$730,197	\$528,109	\$528,698	(26.6)
Federal Revenue	97,844	73,301	270,120	269,604	215.3
Total Funds	<u>\$808,042</u>	<u>\$803,498</u>	<u>\$798,229</u>	<u>\$798,302</u>	<u>(0.9)</u>
-----Fiscal 1986-----					
ISSUE: Cost (Savings)		General Fund	Other Funds	-----Fiscal 1987-----	General Fund Other Fund
1. Data Processing		-0-	\$170,600	-0-	-0-

The Administration Division includes the Fish and Game Commission, the Director's Office and associated staff services. The commission sets department policies and priorities and regulates the harvest of fish, game and fur bearers through regulations establishing seasons and bag limits. The Director's Office provides executive direction for the department's overall program. Management strategies are implemented through the director, associate and deputy directors, legal unit, planning unit and resource assessment unit.

Funding for the division is from general license funds and an overhead charge for administering federal funds received by the department.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

DEPARTMENT OF FISH, WILDLIFE, AND PARKS

Page 29

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	14.19	14.19	0.00
Personal Services	\$477,240	\$444,437	\$ 32,803
Operating Expenses	241,513	209,060	32,453
Equipment	-0-	48,759	(48,759)
Total Operating Costs	\$718,753	\$702,256	\$ 16,497
Non-Operating Costs	80,000	80,000	-0-
Total Expenditures	<u>\$798,753</u>	<u>\$782,256</u>	<u>\$ 16,497</u>
<u>Funding</u>			
State Special	\$726,676	\$710,198	\$ 16,478
Federal Revenue	<u>72,077</u>	<u>72,058</u>	<u>19</u>
Total Funds	<u>\$798,753</u>	<u>\$782,256</u>	<u>\$ 16,497</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 14,533	\$(14,533)
Legislative Contract Authority	\$ 41,200	\$ 11,255	\$ 29,945

The Administration Division was allocated \$41,200 in Legislative Contract Authority in fiscal 1984. The division spent \$11,255 of the contract authority in fiscal 1984.

Current Level Adjustments

Per diem expenses totaling \$6,000 annually are included in the division's current level budget in the 1987 biennium. This allows the five-member Fish and Game Commission to be paid \$50 per day for two meetings each month.

Legal fees are increased approximately \$619 annually to provide the services of a court reporter to take legal depositions outside of Helena. Also this increase will provide funds for filing fees in federal courts. The department is involved with the Federal Energy Regulatory Commission in connection with permits for hydropower facility construction because these facilities impact the fishery resource.

Printing is increased \$790 in fiscal 1986 only to print new Fish, Wildlife, and Park's Law books after the 1985 legislative session.

The 1987 biennium includes \$30,000 each year for private legal counsel to handle the water rights adjudication workload. This represents a \$60 increase over fiscal 1984.

Equipment for the division includes \$600 annually to allow the department to

mount various birds and animals for public display in the lobby of their Helena office. Also, fiscal 1986 includes \$4,000 to replace two memory typewriters.

An annual grant of \$80,000 is made to the Department of Livestock to assist with the state Predator Control Program.

Funding for the division includes \$255,120 in fiscal 1986 and \$254,604 in fiscal 1987 of federal indirect cost reimbursements. Federal funding in this program is increased over fiscal 1984 as part of the department's attempt to utilize federal indirect cost funds to support the administration support divisions in the department. The division receives 24 percent of available federal overhead cost funds.

Issue 1: Data Processing

The department is requesting \$170,600 in fiscal 1986 to purchase the following data processing equipment:

1. \$56,000 for computers for four regional offices to compile and process data on fish and wildlife, maintain stream and lake data, word processing, vegetation inventory, and harvest survey.
2. \$8,000 for a computer to provide a communications network to electronically transmit legals, letters, memos, reports, data, etc., between regional offices and the Helena headquarters.
3. \$13,000 for word processing equipment in Helena to provide a timely turnaround for memos, letters, reports, etc., that are produced by the headquarters in Helena.
4. \$15,000 for computers for fish hatcheries to compile the efficiency conversion of fish food to trout flesh, feeding levels, food inventory requirements, growth projections, and fish planting schedules.
5. \$3,600 for terminals to provide information to top management by giving them access to SBAS, special drawing files, hunter safety, violators system, parks land data, mailing lists, and other miscellaneous on-line files.
6. \$75,000 for a Geographic Information System software package which will provide a data base for an inventory of plants and animals by location. This data base will be used to access the impacts of development on plants and animals.

The department was requested to submit an explanation and description of any savings in terms of manpower or operating costs which would be realized as a

result of the addition of the data processing capability. The department responded with a description of the data processing acquisition in each of the following areas.

Computers for Regional Offices

The department will be using computers in their regional offices for statistical analysis of fish and wildlife data and word processing. The department stated that this addition will not result in any current level savings, but rather in "cost avoidance". The department indicated that without these computers they would be required to rent computer processing from other sources. Indication: No Savings.

Communications Network

A computer in the Helena office would be utilized to act as an electronic post office for department mail. Each region would telephone the central computer to receive and deposit their mail. The savings would be the elimination of postage and would be offset by the cost of the computer and telephone expense. Indication: No Savings.

Word Processing Equipment in Helena

The word processing equipment would provide a savings in the overtime that department typists spend in doing multidraft typing. However, considering the cost of the word processing equipment, the savings in overtime would only be realized over a period of several years. Indication: Minimal Savings.

Computers for Fish Hatcheries

The department purchased a computer for one fish hatchery in 1982. This was utilized to calculate the amount of food that should be fed to fish to achieve the most efficient growth rate. The test showed that as much as \$10,000 savings per year in fish food could be achieved at the largest hatchery. The department is requesting three more computers. However, the department states that actual savings would be difficult to estimate because the remaining fish hatcheries are smaller. Indication: Minimal Savings.

Terminals in Helena

These terminals would provide management with timely, accurate information which would improve the decision making process. The department stated this would produce no cost savings. Indication: No Savings.

Geographic Information System

This system would collect the data that the department currently has in a manual format and convert it into a computer format that can be retrieved from a central location. Automation will reduce the time spent by staff in searching for data. The department stated that this will allow for an increase in the efficiency of personnel and improved management of the wildlife resource. However, no savings was identified. Indication: No Savings.

In summary, the department has requested \$170,600 in general license funds and federal overhead funds to purchase data processing equipment. However, the department did not indicate, in four cases, the equipment would result in any savings to the department. Minimal savings was indicated in two cases. The 1985 legislature may wish to take action through one of the following options.

Option a: Authorize the \$170,600 for data processing equipment.

Option b: Authorize a portion of the \$170,600 for data processing equipment if the department can present evidence of savings.

Option c: Take no action.

DEPARTMENT OF STATE LANDS

	FTE FY '87	- - - - - 1987 Biennium - - - -	
		<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	317.86	\$14,573,635	\$41,348,225
LFA Current Level	<u>266.43</u>	<u>12,820,932</u>	<u>36,730,755</u>
Executive Over (Under) LFA	<u><u>51.43</u></u>	<u><u>\$ 1,752,703</u></u>	<u><u>\$ 4,617,470</u></u>

The executive budget includes an increase of approximately \$4.6 million in total funds over the LFA current level in the 1987 biennium, including \$1.7 million more in general fund. The executive budget has funded an additional 39.90 FTE in fiscal 1986 and 51.43 FTE in fiscal 1987. The following issues reflect the major differences between current level and the executive budget.

CENTRAL MANAGEMENT

Issue 1: Data Processing

The executive budget includes \$822,975 in investment earnings in the resource development state special revenue account to implement a data processing plan developed by the department. The data processing addition is not included in the LFA current level budget for the 1987 biennium. This addition will result in an indirect decrease in general fund to public schools.

Issue 2: Trust Proofing

The executive budget includes \$10,400 in general fund to provide abstractor service to review all trust land deeds and consolidate the deeds in one file. No additional FTE are associated with this request.

Issue 3: Transfer of Pilot

The executive budget includes the transfer of one pilot position from the Department of Natural Resources and Conservation to the Department of State Lands. This additional 1 FTE will increase the Department of State Lands current level budget by \$51,748 in general fund in the 1987 biennium. The LFA current level has deleted this position in the Department of Natural Resources and Conservation.

RECLAMATION

Issue 4: Word Processing Equipment

The executive budget includes \$30,000 in fiscal 1986 for word processing equipment. The \$30,000 is funded 20 percent general fund and 80 percent federal funds. The LFA current level does not include this additional word processing equipment.

Issue 5: Attorney

The executive budget includes an additional staff attorney (1 FTE) to meet an increased legal workload. The attorney will cost \$55,390 in the 1987 biennium. Funding is 20 percent general fund and 80 percent federal. The executive budget does not provide an explanation of the increased legal workload.

Issue 6: Federal Agency Coordinator

The executive budget includes an additional Office of Surface Mining Oversight coordinator to provide increased administration support. This additional 1 FTE will cost \$48,486 in the 1987 biennium. Funding is 20 percent general fund and 80 percent federal fund.

Issue 7: Abandoned Mine Position

The executive budget includes an additional 1 FTE to work in abandoned mines reclamation. The executive budget does not define the responsibilities of this position or provide an explanation of the increased workload. The cost of this position is \$59,114. Funding is 100 percent federal funded.

LAND ADMINISTRATION

Issue 8: Word Processing Equipment

The executive budget includes \$25,000 in general fund for word processing equipment in the 1987 biennium. This equipment is not included in the LFA current level.

Issue 9: Land Use Specialists

The executive budget includes an additional 5 FTE land use specialists in the 1987 biennium. The additional staff would cost \$356,421 in general fund and would conduct field work on the state's five million acres of non-forest trust lands to insure all lands are properly managed. This issue is addressed in the LFA budget analysis.

Issue 10: Oil and Gas Enforcement

The executive budget includes an additional 3 FTE to inspect oil, gas and mineral leases and analyze existing lease agreements in the 1987 biennium. The additional positions, two geologists and one accountant, would cost \$158,624 in general fund in the 1987 biennium. This issue is addressed in the LFA budget analysis.

FORESTRY

Issue 11: Expanded Timber Sales

The executive budget includes an additional 10.42 FTE for increased timber sales on state lands. This expansion would cost \$625,625 in general fund in the 1987 biennium and would expand the current level timber sale program by 18 million board feet annually. The department estimates the additional sales will generate \$1,350,000 annually to the state trust.

Issue 12: Expanded Brush Program

The executive budget includes an additional 6.28 FTE for expanded brush control efforts caused by increased timber harvests on state land also proposed by the department in the 1987 biennium. The cost of the expanded brush program is \$551,118 in the 1987 biennium and is funded by fees. This expansion will require an increase in the slash and brush fee from \$8.00/MBF to \$11.00/MBF.

Issue 13: Timber Stand Improvement Expansion

The executive budget includes an additional 2.75 FTE in fiscal 1986 and 4.50 FTE in fiscal 1987 for an expanded timber stand improvement program. The department's proposal to increase timber harvests in state lands will increase funds for timber stand improvements. This expanded program is funded by an increase in fees from \$8.00/MBF to \$11.00/MBF.

Issue 14: Forest Economist

The executive budget includes an additional 1 FTE forest economist. This addition would continue a forest economist position added by budget amendment to conduct forest analysis of future timber markets, timber management programs and fire management programs. The cost of this position is \$59,589 in the 1987 biennium. Funding is 100 percent federal.

Issue 15: Improved Nursery Production

The executive budget includes an additional 1.66 FTE to provide expansion

of the nursery growing stock used for windbreaks, reforestation and shelterbelts. The position will cost \$63,403 and will be funded with a combination of federal and earmarked funds.

Issue 16: County Fire Program

The executive budget includes the addition of 2.25 FTE to expand the State-County Fire Cooperative Program in the 1987 biennium. This addition will cost \$550,000 in general fund in the 1987 biennium and will allow 11 counties not currently members to be admitted to the cooperative. This issue is addressed in the LFA budget analysis.

Issue 17: Expanded State Fire Protection

The executive budget includes the addition of 3.54 FTE in fiscal 1986 and 9.74 FTE in fiscal 1987 to provide expanded state fire protection on 400,000 acres currently protected by the U.S. Forest Service through a contract with the state. This expansion will cost \$518,419 in the 1987 biennium and will be funded by landowner fire assessments. This issue is addressed in the LFA budget analysis.

DEPARTMENT OF STATE LANDS

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	260.35	266.43	266.43	266.43	1.1
Personal Service	\$ 5,917,006	\$ 6,004,344	\$ 6,318,668	\$ 6,332,168	6.1
Operating Expense	4,599,646	5,009,807	4,447,468	4,291,832	(9.0)
Equipment	500,231	546,598	532,146	550,048	3.3
Inflation	-0-	-0-	133,478	221,002	--
Total Operating Costs	\$11,016,883	\$11,560,749	\$11,431,760	\$11,395,050	1.1
Non-Operating Costs	3,558,715	5,793,869	6,658,769	7,245,176	48.6
Total Expenditures	<u>\$14,575,598</u>	<u>\$17,354,618</u>	<u>\$18,090,529</u>	<u>\$18,640,226</u>	<u>15.0</u>
Fund Sources					
General Fund	\$ 5,033,534	\$ 5,405,024	\$ 6,369,529	\$ 6,451,403	22.8
State Special Funds	2,742,560	3,269,511	2,447,132	2,427,552	(18.9)
Federal Special Fund	6,696,949	8,590,023	9,131,548	9,587,751	22.4
Proprietary Fund	102,555	90,060	142,320	173,520	63.9
Total Funds	<u>\$14,575,598</u>	<u>\$17,354,618</u>	<u>\$18,090,529</u>	<u>\$18,640,226</u>	<u>15.0</u>

The Department of State Lands was created in 1927 to administer grazing and agricultural trust land. The land administered by the department was acquired in the Enabling Act of 1889 which granted to Montana, for common school support, Sections 16 and 36 in every township within the state. Forested land was managed by the Department of Natural Resources and Conservation until July 1, 1981. This function was transferred to the Department of State Lands at that time.

The primary purpose of the department is securing the largest legitimate and reasonable advantage to the state of Montana through multiple use management of state-owned lands, resource protection (from wildland fires, forest insect and disease infestations, etc.) on state and private lands, and administration of the mining reclamation laws. The department is provided for in Section 2-15-3201, MCA.

Organizationally, the chain of command extends from the State Board of Land Commissioners through the director (commissioner) to the five division administrators. The department consists of five divisions: (1) Central Management Division, (2) Reclamation Division, (3) Lands Administration Division, (4) Resource Development Division, and (5) Forestry Division.

The department is responsible for fire protection in Montana. This responsibility resulted in approximately \$757,000 in fire suppression expenditures in

fiscal 1984. This amount was removed from actual fiscal 1984 operations. Fire suppression costs are funded through supplemental appropriations by the legislature. Therefore, no fire suppression costs are included in the 1987 biennium.

In the 1987 biennium, the department shows a 22.8 percent increase in general fund and a 18.9 percent decrease in state special revenue funds. This is due to the replacement of resource indemnity interest funds with general fund in the Reclamation, Land Administration, and Forestry Divisions. The 1983 legislature approved language in the general Appropriations Bill stating its intent that future appropriations from resource indemnity interest funds not be made to fund general operating expenses of state agencies.

Non-operating expenses increase 48 percent from the 1985 biennium through the 1987 biennium. This increase is due primarily to an increase in the federally funded abandoned Mine Reclamation Program and resource development projects. Resource development projects include irrigation and stockwater projects, range renovation, and commercial projects.

CENTRAL MANAGEMENT

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	19.00	19.00	17.00	17.00	(10.5)
Personal Service	\$ 515,736	\$ 492,571	\$ 477,895	\$ 479,219	(5.0)
Operating Expense	274,435	301,736	353,103	358,150	23.4
Equipment	17,833	-0-	5,661	-0-	(68.2)
Inflation	-0-	-0-	7,121	10,879	--
Total Operating Costs	\$ 808,004	\$ 794,307	\$ 843,780	\$ 848,248	5.6
Non-Operating Costs	255,000	255,000	255,000	255,000	0.0
Total Expenditures	<u>\$1,063,004</u>	<u>\$1,049,307</u>	<u>\$1,098,780</u>	<u>\$1,103,248</u>	<u>4.2</u>
Fund Sources					
General Fund	\$ 844,462	\$ 836,492	\$ 836,460	\$ 809,728	(2.0)
Federal Revenue	115,987	122,755	120,000	120,000	0.5
Proprietary Fund	102,555	90,060	142,320	173,520	64.0
Total Funds	<u>\$1,063,004</u>	<u>\$1,049,307</u>	<u>\$1,098,780</u>	<u>\$1,103,248</u>	<u>4.2</u>
-----Fiscal 1986-----					
-----Fiscal 1987-----					
ISSUE: Cost (Savings)	General Fund		Other Funds		General Fund Other Funds
1. General Fund Subsidy of Aircraft	\$(57,829)		\$57,829		\$(57,961) \$57,961

The Central Management Division provides necessary administration services for the department. This division provides accounting, training, personnel, and aviation services to all programs in the department.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	19.00	19.00	0.00
Personal Services	\$ 493,654	\$ 515,736	\$(22,082)
Operating Expenses	326,457	274,435	52,022
Equipment	11,435	17,833	(6,398)
Total Operating Costs	\$ 831,546	\$ 808,004	\$ 23,542
Grants/Benefits	255,000	255,000	-0-
Total Expenditures	<u>\$1,086,546</u>	<u>\$1,063,004</u>	<u>\$ 23,542</u>
<u>Funding</u>			
General Fund	\$ 876,405	\$ 844,462	\$ 31,943
Federal Revenue	122,191	115,987	6,204
Proprietary Fund	87,950	102,555	(14,605)
Total Funds	<u>\$1,086,546</u>	<u>\$1,063,004</u>	<u>\$ 23,542</u>

In fiscal 1984, the department carried over approximately \$21,000 of fiscal 1984 authority to fund salary increases in fiscal 1985 for the Centralized Services Division. The Centralized Services Division will transfer approximately \$10,000 to the Resource Development Program to fund pay raises. The audit costs were less than anticipated in fiscal 1984 by \$2,300. In addition approximately \$22,000 was transferred to personal services from the operating budget in fiscal 1984. Contract service expenditures were reduced a like amount.

Equalization Payments to Counties

Under Section 77-1-501, MCA, the department is required to make equalization payments to counties with state-owned property in excess of 6 per cent of the total land area of the county. The amount of the payment is based on the amount of taxes which would be payable if the land were owned by a taxpayer of the county. The payment is from the general fund and is budgeted in the Central Management Division. In fiscal 1986 and fiscal 1987, \$255,000 each year is budgeted for this payment.

Current Level Adjustments

Two positions were transferred from the Central Management Division to other divisions in the department. Both positions were general funded and represent no overall change in departmental funding.

Current level expenditures increased in the Centralized Services Division due to a substantial increase in insurance industry rates for the department's helicopters. The increase in this rate is not related to an increase in accidents within the department. The increased rate reflects an overall increase among insurance carriers.

In the 1987 biennium, \$54,000 is included annually for aircraft fuel. This will allow the department's three fixed wing aircraft an annual average of 150 hours of flight time each, the UHIB helicopter 85 hours, and the two Jet Ranger helicopters 250 hours each. This usage is consistent with previous years' flying time for each aircraft.

The department also will experience an increase in its lease agreement for office space. Under the old agreement, the department paid approximately \$5.91 per square foot for its base lease including janitorial services. Under the proposed new agreement, the department will pay \$7.33 per square foot. This adds approximately \$12,500 per year to expenses.

Repair and maintenance costs of the aircraft reflect a substantial increase (\$37,500 in fiscal 1986 and \$30,000 in fiscal 1987) in the 1987 biennium over fiscal 1984. This increase is due to the addition of one aircraft (helicopter) in the 1985 biennium. However, no repairs or maintenance expenditures were included in the 1985 biennium. Also, a portion of this increase is due to the replacement of rotor blades in fiscal 1987 on one helicopter. The cost of the new rotor blades is \$30,000. All repair and maintenance costs of the aircraft are paid through user charges.

Issue 1: General Fund Subsidy of Aircraft

The Department of State Lands operates six aircraft, including three fixed wing and three helicopters. All users of the department's six aircraft are charged an hourly rate based on the direct costs of operating the aircraft. Direct costs include fuel and maintenance. The direct costs are funded through a proprietary account. Users of the aircraft include the Departments of Fish, Wildlife and Parks, Health and Environmental Sciences and Highways and the various divisions within the Department of State Lands, including Forestry and Reclamation.

The department also must pay fixed costs of operating the aircraft. The fixed costs include the pilot's salary, insurance, hanger space, utilities, and major overhauls. These costs are not calculated into the rate that the department charges aircraft users. The fixed costs are paid with general fund dollars. This funding arrangement results in a general fund subsidy for non-general fund uses of the aircraft. For example, when the Department of Fish, Wildlife and Parks uses a Department of State Land's helicopter for stocking a lake with fish, the department pays the hourly rate for the use of the helicopter. The Department of Fish, Wildlife, and Parks would pay the Department of State Lands with either general license fee funds or other state special revenue funds. However, these payments only cover a portion of all costs associated with the aircraft. Fixed costs of the aircraft including the pilot's salary will be subsidized by the general fund. Non-department users accounted for nearly 14 percent of the usage in fiscal 1984.

The Department of State Lands has acknowledged this arrangement, but justifies this practice because they believe the paperwork would be too complicated to charge each user of the aircraft total cost. However, under the department's budget request for the 1987 biennium, the general fund will pay approximately \$57,829 in fiscal 1986 and \$57,961 in fiscal 1987. The issue is whether the general fund should be subsidizing non-general fund air operations.

Option a: Continue the present arrangement whereby the general fund continues to pay all fixed costs of the department's aircraft.

Option b: Require the department to include all costs associated with their aircraft in the rate charged to all users. This option would save the general fund \$57,829 in fiscal 1986 and \$57,961 in fiscal 1987.

RECLAMATION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	42.00	42.00	42.00	42.00	0.00
Personal Service	\$ 976,326	\$1,055,930	\$1,106,063	\$1,108,763	8.9
Operating Expense	2,153,146	2,040,248	2,005,538	1,911,238	(6.6)
Equipment	26,768	9,405	23,687	24,447	33.0
Inflation	-0-	-0-	21,156	34,243	--
Total Operating Costs	\$3,156,240	\$3,105,583	\$3,156,444	\$3,078,691	(0.4)
Non-Operating Costs	2,998,477	5,070,119	5,756,184	6,273,359	49.0
Total Expenditures	<u>\$6,154,717</u>	<u>\$8,175,702</u>	<u>\$8,912,628</u>	<u>\$9,352,050</u>	<u>27.4</u>
<u>Fund Sources</u>					
General Fund	\$ -0-	\$ -0-	\$ 418,392	\$ 442,207	0.0
State Special Funds	792,930	943,570	844,036	795,109	(5.6)
Federal Revenue	5,361,787	7,232,132	7,650,200	8,114,734	25.1
Total Funds	<u>\$6,154,717</u>	<u>\$8,175,702</u>	<u>\$8,912,628</u>	<u>\$9,352,050</u>	<u>27.4</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. General Fund Replacement of RIT Funds	\$(418,392)	\$418,392	\$(444,207)	\$442,207

The Reclamation Division is responsible for the regulation of all mining-related disturbances in the state. The division administers the Montana Strip and Underground Mine Reclamation Act (Section 82-4-201, MCA); the Montana Opencut Mining Act (Section 82-4-401, MCA); the Montana Strip and Underground Mine Siting Act (Section 82-4-101, MCA); and statutes regulating hard rock mining. The division also administers the Federal Surface Mining Control and Reclamation Act.

The Reclamation Division includes the Abandoned Mine Reclamation Bureau, the Coal and Uranium Bureau, the Hardrock Mining Bureau, and the Environmental Analysis Bureau.

Abandoned Mine Reclamation Bureau

The Abandoned Mine Reclamation Bureau is responsible for abandoned mine reclamation, site inventory, reclamation project design, project administration, reclamation contracts, and technical assistance.

Montana has 56 counties, of which 43 have abandoned mine problems. Abandoned mine land coal sites are located in 32 counties, with major impacts in the Belt/Sand Coulee, Lewistown, Red Lodge, and Roundup areas. Seventeen counties have abandoned mine land hard rock problems, the major areas being: Cooke City, Corbin-Wickes, Flint Creek Range, Hughesville, and Butte-Anaconda.

Coal and Uranium Bureau

The Coal and Uranium Bureau is responsible for the Federal Surface Mining Control and Reclamation Act and the Montana Strip and Underground Mine Siting and Reclamation Acts. This bureau reviews prospecting and mining applications for coal and uranium and issues permits for both. This bureau is also responsible for reclamation of coal and uranium mining operations, including site evaluations, and bond release inspections.

Hardrock Mining Bureau

The Hardrock Mining Bureau is responsible for administering the Montana Metal Mines Reclamation Act. The bureau issues mine and exploration permits, licenses and exclusions, and reviews reclamation plans. The bureau conducts mine and bond release inspections and monitors water quality.

Environmental Analysis Bureau

The Environmental Analysis Bureau is responsible for administering the Montana Environmental Policy Act. The Environmental Impact Analysis Team conducts environmental impact analyses on actions or projects which significantly affect the environment. This includes writing environmental impact statements on surface coal mines, hardrock mines, non-metal mines, and other environmental activities as needed. The bureau is funded entirely by fees collected from applicants.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	42.00	42.00	0.00
Personal Services	\$ 981,859	\$ 976,326	\$ 5,533
Operating Expenses	2,933,723	2,153,146	780,577
Equipment	14,775	26,768	(11,993)
Total Operating Costs	\$3,930,357	\$3,156,240	\$ 774,117
Non-Operating Costs	4,519,220	2,998,477	1,520,743
Total Expenditures	<u>\$8,449,577</u>	<u>\$6,154,717</u>	<u>\$2,294,860</u>
<u>Funding</u>			
State Special	\$ 923,132	\$ 792,930	\$ 130,202
Federal Revenue	7,526,445	5,361,787	2,164,658
Total Funds	<u>\$8,449,577</u>	<u>\$6,154,717</u>	<u>\$2,294,860</u>

In fiscal 1984, abandoned mine reclamation grants awarded were \$1,520,743 less than the amount authorized by the legislature. The underexpenditure of \$780,577 in operating expenses is primarily related to the Abandoned Mine Reclamation Program and the Environment Impact Statement Team operating at less than appropriated levels. The EIS team appropriation was approximately \$400,000. Actual expenditures for the EIS team were approximately \$100,000 in fiscal 1984.

Current Level Adjustments

In the 1987 biennium, various contracts totaling \$1,543,593 in fiscal 1986 and \$1,490,593 in fiscal 1987 are included in the current level. These contracts are included in Table 1.

Aircraft rental is increased approximately \$13,000 annually from fiscal 1984 to fiscal 1986 for increased aerial inspection of small mines and drill holes.

Printing costs in fiscal 1986 are increased \$25,000 due to one-time rule changes in the Montana Register required by the Office of Surface Mining. Additional photocopying will be required in fiscal 1986 at a cost of \$2,000.

Equipment in current level includes the replacement of two vehicles in each year of the biennium. Cost of these vehicles is \$23,460 in fiscal 1986 and \$24,220 in fiscal 1987.

Abandoned Mine Reclamation grants are estimated to be \$5,756,184 in fiscal 1986 and \$6,273,359 in fiscal 1987.

Table 1
Reclamation Division Contracts - 1987 Biennium

	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
1. Defense of Montana's Position on Indian Land Rules	\$ 10,000	\$ 5,000
2. Mine Engineering	5,200	5,200
3. Reclamation Research	48,000	-0-
4. Environmental Impact Statements	451,200	451,200
5. Major Engineering-Various Grants	161,000	161,000
6. Abandoned Mine Lands Design Contracts	868,193	868,193
Total	<u>\$1,543,593</u>	<u>\$1,490,593</u>

Issue 1: General Fund Replacement of Resource Indemnity Trust Interest Funds

In the 1985 biennium, the Reclamation Division was partially funded with resource indemnity interest funds. These funds are derived from interest on a tax on individuals or businesses engaged in mining, extraction, or production of minerals. The 1983 legislature inserted language in House Bill 447, the Appropriations Bill, stating that future appropriations from the resource indemnity interest funds not be made to fund operating expenses of state agencies.

In the 1987 biennium, resource indemnity interest funds have been replaced by general fund in the Reclamation Division.

In fiscal 1984, resource indemnity interest funds supported approximately 13.4 percent of division operating costs. If this percentage was applied to the 1987 biennium and the resource indemnity interest funds continued to support the division, the general fund would be reduced \$418,392 in fiscal 1986 and \$442,207 in fiscal 1987.

LAND ADMINISTRATION

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	14.62	14.62	15.62	15.62	6.8
Personal Service	\$317,565	\$311,703	\$351,625	\$352,162	11.8
Operating Expense	66,528	69,351	74,906	71,906	8.0
Equipment	-0-	10,000	2,197	-0-	(78.0)
Inflation	-0-	-0-	3,562	5,787	—
Total Expenditures	<u>\$384,093</u>	<u>\$391,054</u>	<u>\$432,290</u>	<u>\$429,855</u>	<u>11.2</u>
<u>Fund Sources</u>					
General Fund	\$297,619	\$303,616	\$432,290	\$429,855	43.4
State Special Funds	<u>86,474</u>	<u>87,438</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$384,093</u>	<u>\$391,054</u>	<u>\$432,290</u>	<u>\$429,855</u>	<u>11.2</u>

<u>ISSUE: Cost (Savings)</u>	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Fund</u>
1. Land Use Specialists	\$190,083	-0-	\$176,313	-0-
2. Oil and Gas Enforcement	\$ 86,799	-0-	\$ 84,098	-0-
3. General Fund Replacement of RIT Funds	\$100,752	-0-	\$100,349	-0-

The Land Administration Division is responsible for appraisal, supervision, management, and development of non-forest trust lands. This division is responsible for insuring that returns on the use of trust lands are maximized without adversely affecting the land resource. Proceeds from surface and mineral resource leases are distributed to public schools and other endowment funds. The division consists of the following bureaus and sections: (1) Resource Development Bureau, (2) Land Management Bureau, (3) Surface Leasing Bureau, (4) Mineral Leasing Bureau, and (5) Geology Section.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	14.62	14.62	0.00
Personal Services	\$312,395	\$317,565	\$(5,170)
Operating Expenses	73,036	66,528	6,508
Equipment	8,312	-0-	8,312
Total Expenditures	<u>\$393,743</u>	<u>\$384,093</u>	<u>\$ 9,650</u>
<u>Funding</u>			
General Fund	\$307,234	\$297,619	\$ 9,615
State Special	86,509	86,474	35
Total Funds	<u>\$393,743</u>	<u>\$384,093</u>	<u>\$ 9,650</u>

In fiscal 1984, operating expense authority was used to offset personal services costs for the division. Also no equipment was purchased in fiscal 1984.

Current Level Adjustments

One position was added from the Centralized Services Division. This position was originally programmed to be transferred during the 1983 legislative session as part of the department reorganization but was overlooked. There is no funding change as a result of this transfer as the position was general funded in centralized services.

Operating expenses were increased in fiscal 1986 by \$3,000 to print updated and revised surface and mineral rules. Also, \$7,500 was added each year of the 1987 biennium to begin the replacement of outdated aerial photographs of state trust lands. Current photographs are 15 to 20 years old. Total cost of replacement is \$75,000. Replacement will be phased-in over a ten-year period.

In fiscal 1986, \$2,197 was added to replace old office equipment.

Issue 1: Additional Land Use Specialists

The department is requesting the addition of 5 FTE land use specialists in the 1987 biennium at a general fund cost of \$190,083 in fiscal 1986 and \$176,313 in fiscal 1987. The department contends the increased review of trust lands will generate more income to the trust.

To cover the cost of the additional salaries, the department proposes to increase transaction fees. The fees are collected for lease issuance, lease assignments, easements, special permits, and other documents. The revenue generated from these fees is deposited in the general fund. In fiscal 1984, the department

collected \$84,044 in transaction fees. The department expects that if these fees are doubled, the increase would be sufficient to fund the salary cost of the five additional land use specialists. The department does not expect this increase to have an adverse impact on the number of document requests each year.

Currently, the division has five land use specialists on staff. These inspectors conduct field investigations on non-forest trust lands to insure that returns on the use of trust lands are maximized without adversely affecting the land resources. Approximately 9,000 leases are currently issued for grazing, agricultural production or other purposes, such as homesites. Each year each specialist evaluates approximately 175 leases comprising about 280 parcels. Evaluations can only be done during seven months of the year (primarily growing season).

The Legislative Auditor issued a performance audit on state-owned trust lands in June 1983. The Legislative Auditor recommended that, based on his review of the department's land management procedures, "present area offices do not have staff in the proper positions and in most cases, do not have the right types of staff to manage the predominant land types." The review further noted that land-use specialists cannot conduct field evaluations in a manner that best benefits the state and they cannot always perform other necessary tasks to manage the land. In other words, the department has allocated too much staff to forest resource management and too few staff to trust land management and in some cases has inappropriately placed forest-oriented trained staff in positions responsible for non-forest trust land management.

Currently 74 FTE are working in the department's six area land offices. Twenty-three FTE conduct operations for the central, northeastern, southern, and eastern land areas which administer approximately 4.6 million acres of agricultural and grazing lands. Fifty-one FTE are located in the forested northwestern and southwestern areas which administer approximately 500,000 acres of primarily forested trust lands. Thus, 30 percent of field staff must administer 90 percent of the total acreage of state trust lands, while 70 percent of all field staff administer 10 percent of the total state trust lands, primarily the forestry-related acres.

The department argues that five additional land-use specialists are necessary. The Legislative Auditor finds the department has allocated too much of the current staff to forest areas and too little to evaluation of non-forest agricultural lands. The auditor's report does not advocate additional positions, but suggests that existing staff be reallocated. Based on present staffing patterns, it seems

that positions assigned in the .5 million acres forest trust land field offices could be reallocated to the 4.6 million acres non-forested field offices. Reallocation of existing positions would satisfy the need to review non-forest trust lands which may generate more income, but not with the expense of five additional positions.

Option a: Appropriate \$190,083 in fiscal 1986 and \$176,313 in fiscal 1987 for the addition of five land use specialists.

Option b: Recommend that the department reallocate existing field office staff to add five land use specialists to the Lands Administration Division in the 1987 biennium.

Issue 2: Additional Oil and Gas Enforcement

The department is requesting the addition of 3 FTE oil and gas lease inspectors in the 1987 biennium at a cost of \$86,799 in fiscal 1986 and \$84,089 in fiscal 1987.

The department currently is responsible for 11,365 oil and gas leases. The department is required to review and monitor all income from royalties paid on mineral production on state land and assess penalties on oil and gas leases who fail to commence drilling in the required time. In fiscal 1984, the department collected over \$7 million in oil and gas royalties and \$2.4 million in penalties. The Lands Administration Division currently does not have staff available to review or inspect oil and gas leases on a regular basis to insure the proper revenue is being received by the trust.

Currently the department employs three people to handle the clerical workload of mineral leasing and one geologist. However, no staff presently provides analysis of existing utilization and communication agreements to insure the correctness of royalty accounting. The staff geologist provides minimal field monitoring on the department's 6.2 million acres of state lands.

Under the department's proposal, 2 FTE would be utilized as geologists to inspect oil and gas, metalliferous, non-metalliferous, coal, seismic, and other mineral related activities in the field. One FTE would analyze existing agreements to insure royalty compliance with the terms of the leases and agreements.

The Legislative Auditor issued a report in June 1983 which found that the department does not regularly perform field inspections of oil and gas well production. In the report, the auditor stated, ". . .the department has no systematic procedure to inspect production on leases. . . . Less than 1 percent of producing wells are being field inspected for production on an annual basis and

many wells have never had production field inspections done by department personnel.

Thus, the department must accept all figures provided by the mineral leasees as accurate and use them to calculate the state's royalty share of oil and gas production on state lands."

The Legislative Auditor recommended that the department develop a procedure for evaluating staff needs in order to employ sufficient, qualified staff to administer mineral leasing on trust land.

Option a: Authorize the addition of 3 FTE requested by the department. This option would cost the general fund \$86,799 in fiscal 1986 and \$84,089 in fiscal 1987.

Option b: Authorize 1 FTE to evaluate oil and gas leases. Prior to the 1987 legislative session, review the extent to which the trust fund benefited and determine need for further commitment in this area. This option would cost approximately \$24,000 annually in personnel services.

Option c: Do not authorize the additional staff.

Issue 3: General Fund Replacement of Resource Indemnity Trust Interest Funds

In the 1985 biennium, the Land Administration Division was partially funded with resource indemnity trust interest funds. These funds are derived from a tax on individuals or businesses engaged in mining, extraction, or production of minerals. The 1983 Legislature inserted language in House Bill 447, the Appropriations Bill, stating future appropriations from the resource indemnity interest funds not be made to fund operating expenses of state agencies.

In the 1987 biennium, Resource Indemnity Interest Funds have been replaced by general funds in the Land Administration Division. In fiscal 1984, resource indemnity trust funds supported approximately 22.5 percent of the land administration operations. If this percentage was applied to the 1987 biennium and the resource indemnity interest funds continued to support the division, the general fund would be reduced \$100,752 in fiscal 1986 and \$100,349 in fiscal 1987.

RESOURCE DEVELOPMENT

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
M.T.E	7.00	7.00	7.00	7.00	0.0
Personal Service	\$137,805	\$156,560	\$169,548	\$169,618	15.2
Operating Expense	54,459	98,063	37,809	37,809	(50.4)
Equipment	1,596	-0-	-0-	-0-	(100.0)
Inflation	-0-	-0-	2,374	3,920	--
Total Operating Costs	\$193,860	\$254,623	\$209,731	\$211,347	(6.1)
Non-Operating Costs	259,956	458,750	647,585	716,817	89.8
Total Expenditures	<u>\$453,816</u>	<u>\$713,373</u>	<u>\$857,316</u>	<u>\$928,164</u>	<u>52.9</u>
Fund Sources					
State Special Fund	<u>\$453,816</u>	<u>\$713,373</u>	<u>\$857,316</u>	<u>\$928,164</u>	<u>52.9</u>

The Resource Development Bureau carries out land development projects to increase revenue and to improve or preserve the value of the land. This responsibility is in accordance with the policy delineated in Section 77-1-601, MCA, which states:

It is in the best interest and to great advantage of the State of Montana to seek the highest development of state-owned lands in order that they might be placed to their highest and best use and thereby derive greater revenue for the support of the common schools, the university system, and other institutions benefiting therefrom...

Resource development projects include irrigation and stockwater projects, range renovation, and commercial projects. An example of a commercial project is the golf course in Scobey, Montana.

Funding for resource development projects is derived from not more than 2.5 percent of the income from lands managed. The Land Board determines the amount or percentage of income up to 2.5 percent.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	7.00	7.00	0.00
Personal Services	\$156,902	\$137,805	\$ 19,097
Operating Expenses	92,316	54,459	37,857
Equipment	-0-	1,596	(1,596)
Total Operating Costs	\$249,218	\$193,860	\$ 55,358
Capital Outlay	458,750	259,956	198,794
Total Expenditures	<u>\$707,968</u>	<u>\$453,816</u>	<u>\$254,152</u>
<u>Funding</u>			
State Special	<u>\$707,968</u>	<u>\$453,816</u>	<u>\$254,152</u>

In fiscal 1984, capital expenditures related to resource development projects were approximately \$198,000 less than authorized. Vacancies of approximately 12 percent contributed to the savings of \$19,000 in personal services.

Current Level Adjustments

Operations in the Resource Development Bureau are continued at current level for the 1987 biennium.

The major increase in this bureau is in resource development projects. The Resource Development Bureau includes the projects listed in Table 2 for the 1987 biennium.

Table 2
Resource Development Projects - 1987 Biennium

<u>Projects</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
Stockwater Projects	\$ 45,000	\$ 65,000
Irrigation Projects	111,654	156,316
Range Renovation	39,228	117,686
Saline Seep	13,203	52,815
Commercial Projects	413,500	150,000
Weed Control	-0-	50,000
Bridges and Forest Lands	-0-	100,000
Title Perfection, Island		
Surveys, Navigability Studies	25,000	25,000
Total Project Costs	<u>\$647,585</u>	<u>\$716,817</u>

FORESTRY

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	177.73	183.81	184.81	184.81	2.20
Personal Service	\$3,969,574	\$3,987,580	\$4,213,537	\$4,222,406	6.0
Operating Expense	2,051,078	2,500,409	1,976,112	1,912,729	(14.5)
Equipment	454,034	527,193	500,601	525,601	4.5
Inflation	-0-	-0-	99,265	166,173	--
Total Operating Costs	\$6,474,686	\$7,015,182	\$6,789,515	\$6,826,909	0.9
Non-Operating Costs	45,282	10,000	-0-	-0-	(100.0)
Total Expenditures	<u>\$6,519,968</u>	<u>\$7,025,182</u>	<u>\$6,789,515</u>	<u>\$6,826,909</u>	<u>0.5</u>
Fund Sources					
General Fund	\$3,891,453	\$4,264,916	\$4,682,387	\$4,769,613	15.8
State Special Fund	1,409,340	1,525,130	745,780	704,279	(50.5)
Federal Revenue	<u>1,219,175</u>	<u>1,235,136</u>	<u>1,361,348</u>	<u>1,353,017</u>	<u>10.5</u>
Total Funds	<u>\$6,519,968</u>	<u>\$7,025,182</u>	<u>\$6,789,515</u>	<u>\$6,826,909</u>	<u>0.5</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. County Cooperative Expansion	\$225,000	-0-	\$225,000	-0-
2. Expanded State Fire Protection	\$182,194	-0-	\$185,890	-0-

The Forestry Division is responsible for managing state lands classified as forest lands. The division supervises fire suppression, timber sales, brush removal, and replanting. The division is divided into five bureaus: General Services Bureau, Forestry Assistance Bureau, Forest Management Bureau, Fire Management Bureau, and Forestry Planning Bureau.

The General Services Bureau provides support planning, secretarial service, budget and fiscal management, bookkeeping and accounting, purchasing and payroll, and property inventory. These services are provided to the Forest Division through three sections: (1) property, (2) accounting, and (3) secretarial. The Property Section includes the central warehouse, excess federal property, building, and grounds maintenance for the Missoula complex, and shipping and receiving. This section also includes a Youth Employment Program for eight to ten youths during the summer. This program is federally funded. The Accounting Section provides all cost accounting, purchasing, payroll, records, deposits, and grant preparation. These functions are handled outside the Helena office to

equalize the workload in payroll preparation and records management for the Forest Division. The Secretarial Section provides all secretarial services for the division including dictation, typing, filing, mail, and word processing.

The Forestry Assistance Bureau provides staff assistance to the State Forester in carrying out administration of the various programs managed by the bureau. Another role is to provide guidance and program direction to the field operations personnel. The Assistance Bureau also provides direct assistance to wood products processors, loggers, and other operators to stretch our forest product resources through improved utilization and marketing. In a similar role, the bureau provides forest management advice and assistance to landowners to improve forest productivity, prevent erosion, and improve utilization of the forest resources. Finally, the bureau provides assistance on both state and private forest lands in order to prevent, detect, and suppress insects or disease problems.

The State Forest Tree Seedling Nursery is administered under the Assistance Bureau. The nursery provides tree seedlings for reforestation, windbreaks and shelterbelts, erosion control, wildlife habitat, and Christmas trees. Trees are not provided for ornamental purposes. The nursery will be introducing new species of conservation planting stock, increasing the use of genetically superior stock, and emphasizing weed control. The nursery is located at the Department of State Lands' Forestry Division complex in Missoula.

The Assistance Bureau's current direction is to target increased assistance to larger landowners, most likely to apply the bureau's advice. Foresters will be encouraged to offer assistance to more owners, not just to react to requests for assistance. Priority will lie with landowners who are most likely to sell forest products or who have requested timber sale assistance.

The Forest Management Bureau is responsible for all forest management programs on classified forest lands. These programs can be separated under three headings: (1) State Land Management, (2) Special Uses, and (3) State Land Records and Accounting Programs.

The State Land Management Program includes forest products sales, hazard reduction, timber stand improvement, and tree improvement. This function involves the preparation, sale, and administration of 35 million board feet (MBF) of lumber annually and the silvicultural treatment of 7,500 acres annually, including harvest, site preparation, reforestation, thinning, and hazard reduction.

The Special Uses Program includes land classification and exchange, easement acquisition, and right-of-way application, update of special use management

guidelines, special leases, and land exchange appraisals.

The State Land Records and Accounting Program includes timber sale billings, brush accounting, and timber stand improvement.

The Fire Management Bureau is responsible for providing: expertise in the prescribed use of fire on state and private lands as specified in state resource management plans for state lands, fire protection services on state and privately owned lands as specified in state resource management plans or as required in state statutes, staff expertise and direct support in fire management activities to the Department of State Lands through the State Forester and the Division of Forestry. Staff expertise encompasses fire prevention, training, suppression, rural fire, and prescribed fire activities, the necessary liaison and coordination both in Montana and nationally with fire-related and fire-support organizations, the guidance, manual instructions, budget and state statute recommendations concerning all Department of State Lands' fire activities.

State law Section 76-13-101, MCA, requires that fire protection be provided to the classified forested lands as natural resources, both private and state-owned. This protection is available through the Fire Bureau in two basic programs: first, through the Forest Fire Districts and Affidavit Units, and second, a County-State Cooperative Fire Program. Resource management needs on state-owned lands also require the use of prescribed fire to reduce fire hazards, to assist in preparation of sites for tree planting or seeding, and to reduce sagebrush cover to improve livestock carrying capacities.

The Forest Planning Bureau is organized as a support bureau. Its purpose is to provide technical assistance and support in the area of forest inventory and electronic data processing as well as to provide overall coordination of department program planning activities. Specifically, the bureau is charged with "management of the Forestry Division's computer system and the responsibility for coordinating and implementing forestry computer applications, planning and implementing a continuous statewide inventory of all state and private forest lands in Montana, and developing and maintaining an ongoing, long-range program planning process."

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

DEPARTMENT OF STATE LANDS

Page 20

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	176.23	176.23	0.00
Personal Services	\$3,863,452	\$3,969,574	\$(106,122)
Operating Expenses	2,337,121	2,051,078	286,043
Equipment	596,919	454,034	142,885
Total Operating Costs	\$6,797,492	\$6,474,686	\$ 322,806
Capital Outlay	44,500	45,282	(782)
Total Expenditures	<u>\$6,841,992</u>	<u>\$6,519,968</u>	<u>\$ 322,024</u>
<u>Funding</u>			
General Fund	\$4,077,566	\$3,891,453	\$ 186,113
State Special	1,506,675	1,409,340	97,335
Federal Revenue	1,257,751	1,219,175	38,576
Total Funds	<u>\$6,841,992</u>	<u>\$6,519,968</u>	<u>\$ 322,024</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 15,210	\$ (15,210)

In fiscal 1984, the Forestry Division overspent personal services by \$90,000 to fund pay raises. The department stated that this amount could not be made from vacancy savings. Operating and equipment budgets were underspent to cover this amount. The remaining amount not spent in operating and equipment represents funds not spent in fiscal 1984 for the purpose of funding the fiscal 1985 pay plan. Expenditures related to one-time renewable resource development projects are included in fiscal 1984 but not continued in the 1987 biennium.

Current Level Adjustments

In the 1987 biennium, 1 FTE has been transferred to the Forestry Division from the Central Management Division. This position is actually being transferred back to the Forestry Division where the position originated. The department had planned to utilize this position in the Central Management Division to establish a department-wide training function. However, the legislature did not authorize the operating funds, so the training program was never transferred.

Consulting and professional services are included in fiscal 1986 totaling \$45,860 and \$51,860 in fiscal 1987. These contract services are necessary for land appraisals, surveying for right-of-way acquisition, supervision of seismic exploration, and technical writing and editing services.

Increases for laboratory testing (\$376), laundry services (\$565) and film

services to record field investigations, fire investigations, training materials and public information programs (\$809) are included in the 1987 biennium.

The division includes \$500,572 in fiscal 1986 and \$525,601 in fiscal 1987 for equipment. These figures were based on 1984 actual expenditures with 5 percent inflation each year.

The department has requested \$155,746 in fiscal 1986 and \$156,111 in fiscal 1987 for major repair and maintenance projects which do not occur on an annual basis. These repairs which are included in current level are for various Forestry Division facilities spread throughout the state. The department also requests \$67,400 each year of the 1987 biennium for capital outlay type building projects. These expenditures are not included in the division's current level operation, but should be considered by the Long-Range Building Committee.

Issue 1: Additional Counties in the State-County Cooperative Fire Program

The department has indicated that 11 additional counties have requested entry into the State-County Cooperative Fire Program. Under this program, the state provides assistance in organizing, training, equipping, and supporting local fire forces. Thirty-five counties are now in the program in central and eastern Montana. The 11 counties will submit legislation requesting funding for the state share of the cooperative program. The department is currently preparing a fiscal note on the cost of the state share if the 11 counties are admitted. The department indicated that the state's obligation would be approximately \$25,000 per year per county for a total of \$275,000.

Issue 2: Expanded State Fire Protection Program

The 1983 legislature appropriated \$292,000 per year general fund to the Department of State Lands for fire protection for 355,000 acres in the Libby block for the 1985 biennium. Prior to this action, the state contracted to protect approximately 280,000 acres of U.S. Forest Service lands, while the Forest Service contracts to protect approximately 2.2 million acres of state and private lands. This created an imbalance of 1.92 million acres between the two agencies. With the action of the 1983 legislature this imbalance was reduced to 1,565,000 acres.

The Forest Service currently charges 16 cents per acre per year for fire protection, but estimates its actual cost as 44.4 cents per acre in fiscal 1984. The forest service has notified the state that it plans to recover its "full costs" for protection of state lands, but has offered to hold the increase in abeyance if

the department will negotiate to transfer the federally protected lands to state protection over ten years. The 1983 legislature proceeded to fund the first reduction block at Libby at a cost of 82 cents per acre. In the 1987 biennium, the state again faces the choice of paying the full cost of forest service fire protection or continuing a program to gradually reduce the acreage imbalance. The department is requesting \$251,474 in fiscal 1986 and \$254,170 in fiscal 1987 to provide state fire protection on state and private lands currently under Forest Service fire protection. The second of five blocks of land proposed for state fire protection is the White Sulphur Springs block. This block includes areas in White Sulphur Springs, Lincoln, and the Deer Lodge valley. The acreage involved would be approximately 433,000 acres. The cost to the state of the White Sulphur Springs block would be approximately 58 cents per acre in each year of the 1987 biennium.

In February 1984, the Legislative Finance Committee was presented a report entitled "Fire Protection for Montana Wildlands." That report discussed the issue of whether it is more cost-effective for the state to provide direct state fire protection or allow the Forest Service to maintain fire protection services for the state. The department recommended that the state assume fire protection on the White Sulphur Springs block because, on a short-term basis, the state could provide fire protection for less than it would cost to pay the Forest Service. This is due to the incentive offered by the Forest Service of continuing to charge 16 cents per acre for fire protection on lands not assumed by the state instead of their cost of 44.4 cents.

The department estimates that it will cost \$505,644 to provide direct state fire protection for the White Sulphur Springs block during the 1987 biennium. This would reduce the acreage imbalance to 1,132,000 acres. At 16 cents per acre, this acreage would cost the state an additional \$362,240 in the biennium as shown in Table 3.

Table 3
Fire Protection Cost Comparison: 1987 Biennium

	<u>State Protection</u>	<u>Forest Service Protection</u>	<u>State Savings</u>
Fire Protection On:			
White Sulfur Springs Block	\$505,644	\$ 381,040	\$(124,604)
Remaining Acreage Imbalance	<u>362,240</u>	<u>996,160</u>	<u>633,920</u>
Total	<u>\$867,884</u>	<u>\$1,377,200</u>	<u>\$ 509,316</u>

Total cost to the state, including the purchase of fire protection for the White Sulphur Springs block, would be approximately \$867,884 for the 1987 biennium. If the 1985 legislature decides not to assume fire protection on the White Sulphur Springs block, the state must pay the Forest Service for fire protection on 1,565,000 acres. The total cost over the 1987 biennium, assuming a rate of 44 cents per acre per year, would be approximately \$1,377,200. By choosing to protect the White Sulphur Springs block and continuing to reduce the acreage imbalance with the Forest Service, the state saves \$509,316 over the biennium. Based on this savings, the department recommends that the state assume fire protection on the White Sulfur Springs block. However, it should be emphasized that the cost of state fire protection on the White Sulphur Springs block will be 58 cents in the 1987 biennium, 14 cents higher than the federal rate. If the short-term incentive of the 16 cents rate were removed, the cost would favor paying for federal protection. Since ultimately this incentive will be eliminated, whether the state should assume responsibility for the White Sulphur Springs block depends on the future rates charged by the Forest Service versus the cost of state fire protection.

Current level amounts include \$69,280 each year in the Forestry Division's current level operating budget for the 1987 biennium as contract payments to the U.S. Forest Service for fire protection on the White Sulphur Springs block. If the legislature approves the takeover for the White Sulphur Springs block, an additional \$182,194 in fiscal 1984 and \$185,890 in fiscal 1985 is necessary to purchase state fire protection.

The Department of State Lands has recommended that the minimum annual assessment for fire protection on private forest land on which the owner does not

provide protection be increased from the current \$6 to a maximum of \$30. The department plans to implement the increase in stages as necessary while maintaining a 2:1 ratio of public to private shares of the cost of fire protection. This increase will be borne by the small landowner or those owning 38 acres or less. The department does not recommend increasing the 16 cents per acre paid by those owning more than 38 acres. Additional revenues from these increases have not been included in the current level budget funding.

DEPARTMENT OF LIVESTOCK

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	122.61	\$1,327,115	\$9,557,208
LFA Current Level	<u>121.61</u>	<u>1,186,739</u>	<u>9,138,659</u>
Executive Over (Under) LFA	<u>1.00</u>	<u>\$ 140,376</u>	<u>\$ 418,549</u>

In the 1987 biennium, the executive budget reflects a \$418,549 increase over the LFA current level including an increase of \$140,376 in general fund. The executive budget includes one more FTE than current level. The following issues describe the major differences between current level and the executive budget.

CENTRALIZED SERVICES

Issue 1: Thermal-Stop Mini-Blinds

The executive budget includes \$10,192 general fund in fiscal 1986 for thermal-stop mini-blinds on 70 windows throughout the department. This amount includes \$9,800 requested by the department, plus a cost adjustment added by the executive budget office of \$392. The current level does not include the addition of these blinds.

Issue 2: Centralized Services Funding

The executive budget reflects a funding scheme of 18 percent general fund and the remainder state special revenue funds. However, the general fund contribution to the department as a whole is approximately 15 percent. The current level funding for the Centralized Services Division reflects the 15 percent general fund contribution to match the funding scheme for the department. In the executive budget this 3 percent difference amounts to approximately a \$8,000 increase in general fund over the current level for the 1987 biennium.

DIAGNOSTIC LABORATORY

Issue 3: Laboratory Equipment

The executive budget includes \$17,550 in general fund for laboratory equipment in the 1987 biennium. The current level budget includes \$8,550 in fiscal 1986 for laboratory equipment. The executive budget includes an additional \$9,000 in fiscal 1987 for a refrigerated centrifuge and enzyme-linked immunoassay reader.

Issue 4: Data Processing

The executive budget includes \$34,786 in state special revenue funds for data processing equipment and operating expenses in the 1987 biennium. This addition would allow the department to retrieve similar diagnosis to aid in disease identification. The current level does not include funding for this service.

DISEASE CONTROL

Issue 5: Automation Development Project

The executive budget includes \$74,673 in state special revenues in the 1987 biennium for the development of automated information base. The automated system would enable the department to improve its capabilities in maintaining and manipulating information related to serology reports and import records. The current level does not include funding for this project as the department has not completed a systems design and requirements definition.

MILK AND EGG

Issue 6: Additional Sanitarian

The executive budget includes 1.00 FTE additional sanitarian to inspect two proposed new cheese plants and to meet federal time lapse requirements between the gathering and testing of milk samples. The 1987 biennium includes \$65,757 in general fund to support the sanitarian and operational expenses. The current level does not include the addition as it could be handled by reassigning current staff to handle the increase in workload.

INSPECTION AND CONTROL

Issue 7: Computer Terminals for Market Officers

The executive budget includes \$62,584 in state special revenues for four computer terminals and associated operating costs in the 1987 biennium. The current level does not include these costs as it is not clear that this automation will significantly reduce the lag time between the updating of the central computer file in Helena and the receipt of reports in the market offices.

Issue 8: Vacancy Savings

The executive budget did not apply a vacancy savings rate to the Inspection and Control Division in the 1987 biennium. The executive budget did apply a 4 percent vacancy savings rate to all other divisions except Predatory Animal Control which has only 3 FTE. The LFA current level includes a 4 percent vacancy savings rate in the Inspection and Control Division resulting in a savings of approximately \$60,000 annually.

DEPARTMENT OF LIVESTOCK

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
T.E	122.61	122.61	121.61	121.61	(0.4)
Personal Service	\$2,922,626	\$2,955,939	\$2,961,978	\$2,968,369	0.9
Operating Expense	1,366,950	1,504,660	1,457,120	1,443,365	1.0
Equipment	77,090	126,670	88,810	98,220	(8.2)
Inflation	-0-	-0-	40,851	75,346	--
Total Operating Costs	\$4,366,666	\$4,587,269	\$4,548,759	\$4,585,300	2.0
Non-Operating Costs	3,377	2,000	2,300	2,300	(14.4)
Total Expenditures	<u>\$4,370,043</u>	<u>\$4,589,269</u>	<u>\$4,551,059</u>	<u>\$4,587,600</u>	<u>2.0</u>
Fund Sources					
General Fund	\$ 593,536	\$ 622,190	\$ 591,974	\$ 594,765	(2.3)
State Special	3,258,112	3,447,579	3,371,085	3,404,835	1.0
Federal Revenue	14,500	14,500	18,000	18,000	24.1
Other Special Revenue	503,895	505,000	570,000	570,000	13.0
Total Funds	<u>\$4,370,043</u>	<u>\$4,589,269</u>	<u>\$4,551,059</u>	<u>\$4,587,600</u>	<u>2.0</u>

The Department of Livestock consists of the Animal Health Division, the Brands-Enforcement Division, the Centralized Services Division, and the Diagnostic Laboratory Division. The Animal Health Division includes the Disease Control Program and Milk and Egg Program. The Brands-Enforcement Division includes the Inspection and Control Program and the Predatory Animal Control Program. The Beef and Pork Research and Marketing Program and the Crimestoppers Program are administratively attached to the Centralized Services Division.

The Board of Livestock has the duties and powers of a department head as provided in Section 2-15-112, MCA. The board consists of seven members appointed by the Governor with the consent of the senate. Each member must be a resident of Montana and an active livestock producer. The executive secretary serves at the pleasure of the board. The executive secretary is responsible for ensuring that the department functions in a manner consistent with the directives, policies, and rules of the board and the laws of Montana.

For the 1987 biennium, approximately 74 percent of the department budget is funded with two state special revenue accounts--Inspection and Control Program,

and Animal Health Division. Both of the accounts receive revenues from assessments against livestock owners based on the value of their livestock. These assessments are set by the Board of Livestock and are subject to change annually. Based on the current level of assessments, the revenues in these two state special revenue accounts will be adequate to fund current level expenditures through the 1987 biennium.

One FTE was deleted from the Disease Control Program for the 1987 biennium as a result of the reorganization of the department.

Operating expenses increase 6.6 percent from fiscal 1984 to fiscal 1986 primarily due to an increase in the Beef and Pork Research and Marketing Program and minor increases in several programs for travel. Audit costs are included in fiscal 1986 totaling \$14,700.

CENTRALIZED SERVICES

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	9.50	9.00	9.00	9.00	(2.7)
Personal Service	\$225,746	\$203,696	\$263,028	\$263,684	22.7
Operating Expense	130,053	128,011	142,014	126,479	4.0
Equipment	669	-0-	700	12,974	1943.9
Inflation	-0-	-0-	925	5,599	--
Total Expenditures	<u>\$356,468</u>	<u>\$331,707</u>	<u>\$406,667</u>	<u>\$408,736</u>	<u>18.5</u>
Fund Sources					
General Fund	\$ 65,423	\$ 65,080	\$ 59,983	\$ 59,211	(8.7)
State Special	<u>291,045</u>	<u>266,627</u>	<u>346,684</u>	<u>349,525</u>	<u>24.8</u>
Total Funds	<u>\$356,468</u>	<u>\$331,707</u>	<u>\$406,667</u>	<u>\$408,736</u>	<u>18.5</u>
-----Fiscal 1986-----					
ISSUE: Cost	General Fund		Other Funds	-----Fiscal 1987-----	
				General Fund	Other Funds
1. Thermal-Stop Mini-Blinds					
Option 1	\$9,800		-0-	-0-	-0-
Option 2	\$1,470		\$8,330	-0-	-0-

The Centralized Services Division is responsible for the accounting, budgeting, payroll, personnel, legal services, purchasing, and general services functions of the Department of Livestock.

The Livestock Crimestoppers Commission was created during the 1983 legislative session as part of the Livestock Crimestoppers Program. The commission consists of five members appointed by the chairman of the Board of Livestock. The commission is attached to the department for administrative purposes only. The Livestock Crimestoppers Program was initiated to promote a statewide reward program for individuals providing information used in combatting livestock-related crime.

Funding for Centralized Services Division consists of 15 percent general fund and state special revenue funds split evenly between the animal health and inspection and control funds. This funding mix reflects the approximate funding split between general fund and the earmarked revenues for the department.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	9.5	9.5	0.00
Personal Services	\$203,932	\$225,746	\$(21,814)
Operating Expenses	133,997	130,053	3,944
Equipment	-0-	669	(699)
Total Expenditures	<u>\$337,929</u>	<u>\$356,468</u>	<u>\$(18,539)</u>
<u>Funding</u>			
General Fund	\$ 66,452	\$ 65,423	\$ 1,029
State Special	<u>271,477</u>	<u>291,045</u>	<u>(19,568)</u>
Total Funds	<u>\$337,929</u>	<u>\$356,468</u>	<u>\$(18,539)</u>
<u>Additions:</u>			
Legislation - Not Allocated	\$ 19,611	-0-	\$ 19,611

In fiscal 1984 the Board of Livestock reorganized the management of the Department of Livestock to better serve the livestock industry. This program exchanged positions with several other programs resulting in an increase in personal service expenditures.

Current Level Adjustments

The current level for Centralized Services Division remains intact for the 1987 biennium with the following changes.

Due to the reorganization of the department, the executive secretary of the Board of Livestock and the programmer/analyst position were moved into this program along with related operating costs. This move will increase the current level budget in supplies, communication, travel, and repairs and maintenance. One replacement vehicle for the executive secretary is included in fiscal 1987. The cost of the vehicle is \$12,624. Also, in fiscal 1984, 2 FTE word processors and .5 FTE clerk were transferred to Disease Control Program.

Issue 1: Thermal-Stop Mini-Blinds

The Centralized Services Division is requesting \$9,800 in fiscal 1986 for thermal-stop mini-blinds to replace the existing wooden blinds on 70 windows throughout the department. The existing wooden blinds are old and falling apart and do not provide any insulating benefits. The thermal-stop mini-blinds may provide some additional insulation benefits.

Since the Department of Livestock is located in a state-owned building ordinarily the blinds would be purchased through and installed by the Department of Administration. In this case, the Department of Livestock is planning to purchase the blinds directly.

Option 1: Authorize the thermal-stop mini-blinds to be funded entirely by general fund as requested by the department.

Option 2: Authorize the thermal-stop mini-blinds to be funded with 15 percent general fund and 85 percent state special revenue. This funding scheme reflects the funding of the Centralized Services Division.

Option 3: Do not authorize the thermal-stop mini-blinds. The legislature may want to refer this request to the Long-Range Building Committee where permanent improvements are ordinarily considered.

DIAGNOSTIC LABORATORY

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	19.80	19.00	19.00	19.00	(2.0)
Personal Service	\$495,523	\$497,647	\$482,610	\$484,352	(2.6)
Operating Expense	167,483	192,347	169,699	170,792	(5.4)
Equipment	994	26,915	8,550	-0-	(69.3)
Inflation	-0-	-0-	14,675	23,727	--
Total Expenditures	<u>\$664,000</u>	<u>\$716,909</u>	<u>\$675,534</u>	<u>\$678,871</u>	<u>(1.9)</u>
<u>Fund Sources</u>					
General Fund	\$312,615	\$346,252	\$317,284	\$318,953	(3.4)
State Special	<u>351,385</u>	<u>370,657</u>	<u>358,250</u>	<u>359,918</u>	<u>0.5</u>
Total Funds	<u>\$664,000</u>	<u>\$716,909</u>	<u>\$675,534</u>	<u>\$678,871</u>	<u>(1.9)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Laboratory Equipment	\$32,000	\$32,000	-0-	-0-

The Diagnostic Laboratory provides laboratory support for the Disease Control and Milk and Egg Programs and to veterinarians and livestock producers. The laboratory protects the public health by testing dairy products and performing diagnostic tests on suspected rabies cases and other zoonotic diseases. Testing on wildlife and small animals is performed upon request.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. The Diagnostic Laboratory underspent its appropriation in fiscal 1984. This was due primarily to less expenditures in utilities and equipment.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	19.80	19.80	0.00
Personal Services	\$498,397	\$495,523	\$ 2,874
Operating Expenses	175,350	167,483	7,867
Equipment	<u>5,800</u>	<u>994</u>	<u>4,806</u>
Total Expenditures	<u>\$679,547</u>	<u>\$664,000</u>	<u>\$15,547</u>
<u>Funding</u>			
General Fund	\$328,168	\$312,615	\$15,553
State Special	<u>351,379</u>	<u>351,385</u>	<u>(6)</u>
Total Funds	<u>\$679,547</u>	<u>\$664,000</u>	<u>\$15,547</u>

Funding

Funding for the laboratory is equally split between the general fund and the animal health state special revenue fund. The animal health state special revenue fund is shown as contributing approximately \$40,000 more than the general fund contribution because the program receives a reimbursement from the USDA for two positions. The USDA reimburses the department 100 percent for a microbiological position and 50 percent for a laboratory aide position.

Current Level Adjustments

Under the department's reorganization, .8 FTE consisting of a portion of the state veterinarian and a secretary position were transferred to Disease Control Program. These positions are consolidated in Disease Control Program.

The budget for the Diagnostic Laboratory will be continued at current level with one exception. Travel expenditures were increased \$2,650 annually to allow personnel to attend regional meetings in Wisconsin, Colorado, Nevada, and Canada.

Current level includes laboratory equipment totaling \$8,550 in fiscal 1986. Equipment items include a milk cryoscope, a photography system, and a ultra-low temperature laboratory freezer.

Issue 1: Laboratory Equipment

The Diagnostic Laboratory is requesting the following equipment for the 1987 biennium:

<u>Equipment</u>	<u>Cost</u>	<u>Funding</u>
Infrared Milk Analyzer	\$35,000	50% General Fund/50% Animal Health
Fossomatic 90 Cell Counting Machine	\$29,000	50% General Fund/50% Animal Health

The Food and Drug Administration (FDA) is currently considering regulations requiring testing for fat, protein, lactose, and solids in raw milk and finished products such as ice cream, sour cream, and cottage cheese. The infrared milk analyzer would be utilized in testing these products. The decision to require this test has not yet been made.

The Fossomatic 90 Cell Counting Machine will replace the Wisconsin Mastitis Test which the laboratory currently performs on all milks. The Food and Drug Administration is requesting this action to standardize results and to lower the cut-off for mastitic milk. The FDA does not require this machine at the present time.

Option 1: Authorize the laboratory equipment. However, before the infrared milk analyzer is approved the legislature may want to confirm the status of the FDA regulations during the 1985 legislative session.

Option 2: Do not authorize the laboratory equipment.

DISEASE CONTROL PROGRAM

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>---Current Level---</u>		<u>% Change</u> <u>1985-87</u> <u>Biennium</u>
	<u>Fiscal</u> <u>1984</u>	<u>Fiscal</u> <u>1985</u>	<u>Fiscal</u> <u>1986</u>	<u>Fiscal</u> <u>1987</u>	
.T.F.	13.10	16.80	15.30	15.30	19.5
Personal Service	\$400,028	\$389,609	\$396,359	\$396,903	0.5
Operating Expense	93,702	109,052	96,083	96,633	(5.0)
Equipment	10,365	16,810	8,520	9,220	(34.7)
Inflation	-0-	-0-	4,753	8,436	--
Total Operating Costs	\$504,095	\$515,471	\$505,715	\$511,192	(0.3)
Non-Operating Costs	2,316	2,000	2,300	2,300	6.6
Total Expenditures	<u>\$506,411</u>	<u>\$517,471</u>	<u>\$508,015</u>	<u>\$513,492</u>	<u>(0.2)</u>
<u>Fund Sources</u>					
State Special Revenue	<u>\$506,411</u>	<u>\$517,471</u>	<u>\$508,015</u>	<u>\$513,492</u>	<u>(0.2)</u>
-----Fiscal 1986-----					
-----Fiscal 1987-----					
<u>SSUE: Cost (Savings)</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>	
Automation Development Project	-0-	\$40,791	-0-	\$33,882	

The Disease Control Program is responsible for the diagnosis, prevention, control, and eradication of animal diseases and disorders. The program provides education and information on animal diseases and disorders to the livestock industry, the veterinary profession, and the public at large. This program is funded entirely by an assessment on livestock based on taxable value.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	12.50	13.10	(.60)
Personal Services	\$389,820	\$400,028	\$(10,208)
Operating Expenses	101,884	93,702	8,182
Equipment	15,644	10,365	5,279
Total Operating Costs	\$507,348	\$504,095	\$ 3,253
Non-Operating Costs	2,000	2,316	(316)
Total Costs & Funding	<u>\$509,348</u>	<u>\$506,411</u>	<u>\$ 2,937</u>

Current Level Adjustments

Under the department reorganization one position was deleted from the Disease Control Program and 3.80 FTE were added from other divisions. Three FTE word processors were transferred from Centralized Services Division and the Milk and Egg Program. The remaining .8 FTE was transferred from the laboratory.

Travel out-of-state was increased approximately \$5,000 each year of the 1987 biennium to allow personnel to attend meetings of the U.S. Animal Health Association in Wisconsin and Kentucky. This increase will allow air travel for three persons with per diem for one week.

The equipment budget for the Disease Control Program includes the replacement of one vehicle each year of the 1987 biennium. Fiscal 1986 includes one automobile at a total cost of \$8,520. Fiscal 1987 includes one 1/2-ton pickup truck at a total cost of \$9,220.

The \$2,300 non-operating expenditure for each fiscal 1986 and 1987 represents indemnity payments to livestock owners who had diseased cattle. The department has the authority to condemn diseased cattle to be slaughtered. The indemnity payment is intended to help the livestock owner absorb the loss equal to the difference between breeder stock and slaughter stock. The state contributes

\$25 per head while the federal government contributes \$30 per head.

Issue 1: Automation Development Project

The Disease Control Program is requesting \$40,791 in fiscal 1986 and \$33,882 in fiscal 1987 for the development of an automated information base. The automated system would enable the department to improve its capabilities in maintaining and manipulating information related to serology reports and import records.

The Disease Control Program request includes the purchase of three computer terminals and one printer at a cost of \$16,351. The request also includes costs associated with computer storage, processing, and testing. Total cost of the request is \$74,673 for the 1987 biennium.

Currently, the department is continuing to develop its automation needs by completing requirements definition and systems design. Requirements definition entails defining what the department would like the system to do at a very detailed level. These tasks will not be completed until December 1984 or later, perhaps during the legislative session. Pending the completion and evaluation of these tasks, the legislature may want to take a cautious approach in implementing this request.

Option 1: Appropriate \$40,791 in fiscal 1986 and \$33,882 in fiscal 1987 for the department's automation development project.

Option 2: Since the department is continuing to further define the project and define its specific needs, the legislature could require an updated request be made by the department during the 1985 legislative session.

Option 3: Do not fund the new automated system.

MILK AND EGG PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	7.20	6.70	6.70	6.70	(3.6)
Personal Service	\$170,287	\$166,546	\$181,316	\$181,517	7.7
Operating Expense	26,954	32,492	27,873	27,873	(6.2)
Equipment	13,271	15,040	9,560	9,220	(33.6)
Inflation	-0-	-0-	36	630	--
Total Expenditures	<u>\$210,512</u>	<u>\$214,078</u>	<u>\$218,785</u>	<u>\$219,240</u>	<u>3.2</u>
Fund Sources					
General Fund	\$196,012	\$199,578	\$200,785	\$201,240	1.6
Federal Revenue	<u>14,500</u>	<u>14,500</u>	<u>18,000</u>	<u>18,000</u>	<u>24.1</u>
Total Funds	<u>\$210,512</u>	<u>\$214,078</u>	<u>\$218,785</u>	<u>\$219,240</u>	<u>3.2</u>

ISSUES: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Fund
1. Personal Computer	-0-	-0-	-0-	\$ 6,934
2. Additional Sanitarian	\$38,032	-0-	\$29,917	-0-

The Milk and Egg Program is responsible for insuring that eggs, milk, and milk products sold or manufactured in Montana are fit for human consumption. The program provides for licensing, sampling, laboratory testing, and product and site inspecting done in cooperation with other state and federal agencies. The program is primarily supported with general fund. The federal government contributes funds for the School Lunch Program.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	7.20	7.20	0.00
Personal Services	\$166,798	\$170,287	\$(3,489)
Operating Expenses	31,104	26,954	4,150
Equipment	13,980	13,271	709
Total Expenditures	<u>\$211,882</u>	<u>\$210,512</u>	<u>\$ 1,370</u>
<u>Funding</u>			
General Fund	\$197,382	\$196,012	\$ 1,370
Federal Revenue	14,500	14,500	-0-
Total Funds	<u>\$211,882</u>	<u>\$210,512</u>	<u>\$ 1,370</u>

Current Level Adjustments

Under the department reorganization 1 FTE word processor was transferred from the Milk and Egg Program to the Disease Control Program. One-half FTE secretary was added to the Milk and Egg Program.

The current level reflects the upgrade of all field sanitarians by two grades. Currently the department employs four field sanitarians.

The equipment budget of the Milk and Egg Program includes the replacement of one 1/2-ton pickup truck each year of the 1987 biennium. Total cost of these vehicles is \$8,460 in fiscal 1986 and \$9,220 in fiscal 1987. Also, two milk testing machines are included in fiscal 1986 at a cost of \$550 each.

Issue 1: Personal Computer

The Milk and Egg Program is requesting one personal computer in fiscal 1987 at a total cost of \$6,934. The computer would be used to automate the recording of inspections and test results. All inspections and test results are currently recorded manually by sanitarians. The department believes that, by automating this function for the sanitarians, problems of timely inspection and the burden of paperwork would be eliminated. However, the department was not able to estimate or document how much time each sanitarian would save if the personal computer were implemented.

The personal computer would be located in the Helena office and would be utilized primarily by the program's secretary and chief. The four field sanitarians located in Great Falls, Billings, Missoula, and Bozeman would not be utilizing the personal computer on a regular basis. The field personnel would still be manually recording the inspection and test results so they could be

entered into the computer in Helena. Therefore, it is not clear how the addition of a personal computer will reduce inspection time or the paperwork burden.

Option 1: Appropriate \$6,934 in fiscal 1987 for one personal computer.

Issue 2: Additional Sanitarian

The Milk and Egg Program is requesting the addition of one sanitarian (1 FTE) and associated operating costs for the 1987 biennium. Total cost for this position is \$38,032 in fiscal 1986 and \$29,917 in fiscal 1987. Fiscal 1986 includes the purchase of one vehicle at a cost of \$8,460.

The Milk and Egg Program is anticipating a workload increase due to the opening of cheese plants in Yaak and Great Falls, Montana. These plants will require at least eight inspections annually. The additional inspection requirements become critical due to federal maximum time lapse restrictions between gathering and laboratory testing of milk samples. The two new cheese plants are not currently in operation. The department anticipates they will be in operation by July 1, 1985.

The proposed cheese plants in Yaak and Great Falls fall into two districts. The district sanitarian in Missoula would cover the plant in Yaak with the sanitarian in Great Falls covering the Great Falls plant. Currently, the sanitarian in Missoula has a balance of 96 hours of "compensation time" while the Great Falls sanitarian has no "compensation time" balance. By redistricting, the department could possibly balance the workload between the Missoula and Great Falls sanitarians, and provide timely inspections for the proposed cheese plants with existing staff. Also, the department has stated that the addition of the personal computer would help to organize the inspection schedule allowing the sanitarians more time to perform actual inspections. This additional inspection time may allow current staff time to carry out additional inspections on the proposed plants.

Option 1: Appropriate \$38,032 in fiscal 1986 and \$29,917 in fiscal 1987 for the addition of one sanitarian.

INSPECTION AND CONTROL PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E.	68.81	68.61	68.61	68.61	(0.1)
Personal Service	\$1,518,750	\$1,580,259	\$1,547,699	\$1,550,378	(0.0)
Operating Expense	233,783	311,163	229,029	229,179	(15.9)
Equipment	51,791	67,905	59,280	64,606	3.5
Inflation	-0-	-0-	9,022	14,734	--
Total Operating Costs	\$1,804,324	\$1,959,327	\$1,845,030	\$1,858,897	(1.5)
Non-Operating Costs	1,061	-0-	-0-	-0-	(100.0)
Total Expenditures	<u>\$1,805,385</u>	<u>\$1,959,327</u>	<u>\$1,845,030</u>	<u>\$1,858,897</u>	<u>(1.6)</u>
<u>Fund Sources</u>					
State Special Fund	<u>\$1,805,385</u>	<u>\$1,959,327</u>	<u>\$1,845,030</u>	<u>\$1,858,897</u>	<u>(1.6)</u>
-----Fiscal 1986-----					
ISSUE: Cost	General Fund		Other Funds	-----Fiscal 1987-----	
				General Fund	Other Funds
Computer Terminals	-0-		\$26,528	-0-	\$36,056

The Inspection and Control Program is responsible for theft investigations, stray livestock investigations, brand inspections, recording of livestock brands, filing of livestock security interests, dealer licensing, and hide and beef inspection.

The Inspection and Control Program is the largest in the department in terms of FTE and expenditures. It is supported entirely from state special revenues derived from assessments against livestock owners based on the value of livestock.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	69.11	68.81	.30
Personal Services	\$1,565,302	\$1,518,750	\$ 46,552
Operating Expenses	310,173	233,783	76,390
Equipment	98,272	51,791	46,481
Total Operating Costs	\$1,973,747	\$1,804,324	\$169,423
Non-Operating Costs	-0-	1,061	(1,061)
Total Costs & Funding	<u>\$1,973,747</u>	<u>\$1,805,385</u>	<u>\$168,362</u>

The Inspection and Control Program experienced a reduction in operations in fiscal 1984 due primarily to the transfer of the executive secretary from this program to the Centralized Services Division.

Current Level Adjustments

Under the department's reorganization 2 FTE were transferred to the Centralized Services Division and the Milk and Egg Program. One and one-half FTE were added to the Inspection and Control Program from the Centralized Services Division and the Predatory Animal Program.

The Inspection and Control Program includes a projected cost in overtime for market inspections of \$97,895 in fiscal 1986 and fiscal 1987. The overtime costs are due to the large numbers of livestock which must be inspected during the heavy market sales. The 1987 biennium is budgeted at the level experienced in fiscal 1984.

Equipment expenditures will be increased due to the replacement of six pickup trucks and one automobile for each year of the biennium. Total cost of the replacements in fiscal 1986 is \$59,280 and \$64,606 in fiscal 1987.

Issue 1: Computer Terminals For Market Offices

The Inspection and Control Program is requesting four computer terminals and associated operating costs for each year of the 1987 biennium. Total cost of this request is \$26,528 in fiscal 1986 and \$36,056 in fiscal 1987.

Currently, the market offices lag seven to ten days behind the Helena office in the currency of brand and mortgage information. This is the period of time between the updating of central computer files in Helena and the receipt of reports in the market offices so they can update their manual card files. The department contends that this time lag has caused problems during livestock

auctions when sale proceeds have either been held or issued incorrectly due to out-of-date information. However, the department admits that ownership can be verified or lien information provided with one long-distance phone call to Helena. The department also contends that time spent manually updating card files could be better spent on other, more important tasks. The manual posting problems are particularly burdensome during the brand recording process, but this process occurs only once in ten years.

Option 1: Appropriate \$26,528 in fiscal 1986 and \$36,056 in fiscal 1987 for computer terminals.

BEEF AND PORK RESEARCH AND MARKETING

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	0.00	0.00	0.00	0.00	0.00
Personal Service	\$ 150	\$ -0-	\$ 150	\$ 150	100.0
Operating Expense	503,745	505,000	569,829	569,816	12.9
Inflation	-0-	-0-	21	34	--
Total Expenditures	<u>\$503,895</u>	<u>\$505,000</u>	<u>\$570,000</u>	<u>\$570,000</u>	<u>12.9</u>
<u>Fund Sources</u>					
Other Special Funds	<u>\$503,895</u>	<u>\$505,000</u>	<u>\$570,000</u>	<u>\$570,000</u>	<u>12.9</u>

The Beef and Pork Research and Marketing Program's function is to promote effective research into the production and marketing of beef and pork through collection and distribution of funds. Funds derived from a 20 cents per-head assessment on swine sold are distributed to the Montana Pork Council. Funds derived from a 25 cents per-head tax on cattle owned are allocated to the Montana Beef Council for distribution to state and national organizations. Both taxes are refundable by the department upon request of the livestock owner or producer.

The Montana Pork Council spends funds to conduct promotional programs in cooperation with the National Pork Producers Council, provide information about state and regional markets to Montana producers, provide information on all phases of pork production, and operate a swine testing station at Montana State University. The Montana Pork Council is a non-profit organization which operates on a local level in 12 districts in Montana. In fiscal 1984, \$53,895 was spent in

pork research and marketing.

The Montana Beef Council provides funds to the Beef Industry Council of the National Livestock and Meat Board to help national beef programs carried out by the council. Eighty percent of the funds are allocated to national programs. The remaining 20 percent is spent for in-state programs. In fiscal 1984, \$450,000 was spent in beef research and marketing.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	0.00	0.00	0.00
Personal Services	-0-	\$ 150	\$ (150)
Operating Expenses	<u>\$505,000</u>	<u>503,745</u>	<u>1,255</u>
Total Costs & Funding	<u>\$505,000</u>	<u>\$503,895</u>	<u>\$1,105</u>

In fiscal 1984, 99 percent of the Beef and Pork Research and Marketing appropriation was spent.

PREDATORY ANIMAL CONTROL PROGRAM

<u>Budget Item</u>	<u>Actual Fiscal 1984</u>	<u>Appropriated Fiscal 1985</u>	<u>---Current Level---</u>		<u>% Change 1985-87 Biennium</u>
			<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	
F.T.E	4.20	3.00	3.00	3.00	(16.6)
Personal Service	\$112,142	\$118,182	\$ 90,816	\$ 91,385	(20.8)
Operating Expense	176,744	200,315	195,972	195,972	3.9
Equipment	-0-	-0-	2,200	2,200	100.0
Inflation	-0-	-0-	<u>9,118</u>	<u>18,446</u>	--
Total Expenditures	<u>\$288,886</u>	<u>\$318,497</u>	<u>\$298,106</u>	<u>\$308,003</u>	<u>(0.2)</u>
<u>Fund Sources</u>					
State Special Revenue	<u>\$288,886</u>	<u>\$318,497</u>	<u>\$298,106</u>	<u>\$308,003</u>	<u>(0.2)</u>

The Predatory Control Program offers protection to livestock producers by controlling certain types of predators that kill or injure domestic livestock.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	4.50	4.20	.30
Personal Services	\$118,451	\$112,142	\$ 6,309
Operating Expenses	186,758	176,744	10,014
Equipment	<u>2,600</u>	<u>-0-</u>	<u>2,600</u>
Total Costs & Funding	<u>\$307,809</u>	<u>\$288,886</u>	<u>\$18,923</u>

The Predatory Animal Control Program experienced a reduction in expenditures due to the reorganization of the department. In fiscal 1984, .3 FTE were transferred to the Inspection and Control Program and the Centralized Services Division.

Current Level Adjustments

Under the department reorganization 1 FTE secretary and .5 FTE programmer were transferred from the Predatory Animal Control Program to the Inspection and Control Program and the Centralized Services Division.

The current level budget reflects the purchase of three pair of Nomex flight suits at \$150 each required by the Federal Aviation Administration. Hanger rent for the department's helicopters is increased approximately \$200 each month for three helicopters. The increase is due to the loss of the use of the Department of Fish, Wildlife and Parks hanger space. Repair and maintenance costs for the department's three helicopters reflect a 15 percent increase in the price of parts effective September 1984. Equipment purchases include one high-band radio each year of the biennium at a cost of \$2,200 each.

Based on fiscal 1984 expenditures, it costs approximately \$125 to kill a coyote or fox. This calculation is based on the actual hunting and travel time, including the cost of operating the helicopter. In fiscal 1984, a total of 2,315 coyotes or foxes were killed.

The Predatory Animal Control Program receives \$65,000 each year from the Department of Fish, Wildlife and Parks to carry out its predatory control function. These funds are included in the 1987 biennium.

RABIES CONTROL

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	0.00	0.00	0.00	0.00	0.00
Operating Expense	\$34,486	\$26,280	\$26,621	\$26,621	(12.4)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>2,301</u>	<u>3,740</u>	<u>--</u>
Total Expenditures	<u>\$34,486</u>	<u>\$26,280</u>	<u>\$28,922</u>	<u>\$30,361</u>	<u>(2.4)</u>
Fund Sources					
General Fund	\$19,486	\$11,280	\$13,922	\$15,361	(4.8)
State Special Revenue	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>0.0</u>
Total Funds	<u>\$34,486</u>	<u>\$26,280</u>	<u>\$28,922</u>	<u>\$30,361</u>	<u>(2.4)</u>

The Rabies Control Program exists to prevent exposure of domestic animals and humans to rabid skunks. The objective of the program is to reduce the skunk population in areas that have proven rabies carriers.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
Operating Expenses	<u>\$26,486</u>	<u>\$34,486</u>	<u>\$(8,000)</u>
Funding			
General Fund	\$11,486	\$19,486	\$(8,000)
State Special	<u>15,000</u>	<u>15,000</u>	<u>-0-</u>
Total Funds	<u>\$26,486</u>	<u>\$34,486</u>	<u>\$(8,000)</u>

The department transferred \$8,000 of fiscal 1985 general fund spending authority to fiscal 1984 to support an expansion in operations. This expansion was due to an increase in the potential for rabies caused by an outbreak in skunk-bite cases. The department will request a supplemental from the 1985 legislature to continue the program through the balance of fiscal 1985.

Current Level Adjustments

The Rabies Control Program is not continued at the fiscal 1984 level of operation. The 1987 biennium level does not include a one-time \$8,000 expenditure in operations which was necessary to combat an increase in rabies caused by an out-break in skunk-bite cases in fiscal 1984. It is not anticipated that this situation will continue in the 1987 biennium.

The program receives a \$15,000 grant from the Department of Fish, Wildlife and Parks to carryout its rabies control operation. These funds are included in the 1987 biennium.

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	256.79	\$11,645,042	\$29,869,888
LFA Current Level	248.59	8,843,741	24,432,563
Executive Over (Under) LFA	<u>8.20</u>	<u>\$ 2,801,301</u>	<u>\$ 5,437,325</u>

The executive budget exceeds the LFA current level by \$5,437,325 in total funds in the 1987 biennium including \$2,801,301 in general funds. The executive budget has funded 8.2 FTE more than the LFA current level. The following issues reflect the major differences between the LFA current level and the executive budget.

CENTRALIZED SERVICES

Issue 1: Printing/Private Legal

The executive budget includes \$18,000 in general fund expenditures for re-printing the Natural Resources Series in the 1987 biennium and \$40,000 in general fund expenditures for private legal counsel for the Board of Natural Resources and Conservation. The LFA current level does not include either of these expenditures.

CONSERVATION DISTRICTS

Issue 2: Rangeland Improvement Loans

The executive budget includes \$370,000 for rangeland improvement loans to individuals for range improvement projects. The LFA current level does not include these loans.

Issue 3: State-Owned Water Projects

The executive budget includes \$2,018,000 of water development funds for work on state-owned water projects. The executive budget has also reduced the water development funding for the operation of the Water Resource Division by approximately the same amount and increased general fund. The LFA current level includes approximately \$2,018,000 more in water development funding for operations in the division. However, the LFA current level does not include water development funds for water projects.

Issue 4: Executive Budget Recommended Additions

Table 1 summarizes the executive budget's recommended modified level additions. These additions are not included in the LFA current level for the 1987 biennium.

Table 1
Department of Natural Resources and Conservation
Executive Budget Recommended Modified Level Requests
1987 Biennium

<u>Additional Service</u>	<u>- - - -FTE- - - -</u>			<u>1987</u>
	<u>FY 86</u>	<u>FY 87</u>	<u>Funding</u>	<u>Biennium Cost</u>
<u>Centralized Services Division</u>				
1. Water Adjudication Lawyer	1.00	1.00	General Fund/Water Develop.	\$ 79,061
2. Programmer/Analyst	1.00	1.00	State Earmarked	55,168
<u>Conservation Districts Division</u>				
3. Corps. of Engineers	0.00	0.00	Conservation Districts	5,310
<u>Water Resources Division</u>				
4. Hydrologist	1.00	1.00	General Fund	53,941
5. Water Development	2.00	2.00	Water Development	103,452
6. Water Rights Field Invest.	0.00	0.00	General Fund	23,100
<u>Energy Division</u>				
7. Residential Standards Demon. Program	3.00	2.00	Federal (BPA)	309,812
8. Facility Siting Bureau	2.00	2.00	50% G.F./50% Facility Siting	115,585
9. Rock Creek	<u>0.00</u>	<u>0.00</u>	Federal BPA	<u>1,650,000</u>
Total	<u>10.00</u>	<u>9.00</u>		<u>\$2,395,429</u>

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	266.90	253.79	248.09	248.59	(4.6)
Personal Service	\$ 5,808,159	\$ 6,019,109	\$ 6,039,724	\$ 6,059,824	2.3
Operating Expense	3,032,862	4,382,527	4,543,847	4,365,892	20.1
Equipment	140,580	67,845	117,585	58,704	(15.4)
Inflation	-0-	-0-	74,151	120,916	--
Total Operating Costs	\$ 8,981,601	\$10,469,481	\$10,775,307	\$10,605,336	9.9
Non-Operating Costs	3,616,736	3,891,940	1,572,714	1,479,206	(59.3)
Total Expenditures	<u>\$12,598,337</u>	<u>\$14,361,421</u>	<u>\$12,348,021</u>	<u>\$12,084,542</u>	<u>(9.3)</u>
<u>Fund Sources</u>					
General Fund	\$ 4,318,642	\$ 3,488,353	\$ 4,472,581	\$ 4,371,160	13.2
State Special	6,817,966	9,342,345	6,679,600	6,525,515	(18.2)
Federal Revenue	1,448,525	1,530,723	1,195,840	1,187,867	(19.9)
Other Funds Approp.	13,204	-0-	-0-	-0-	(100.0)
Total Funds	<u>\$12,598,337</u>	<u>\$14,361,421</u>	<u>\$12,348,021</u>	<u>\$12,084,542</u>	<u>(9.3)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. General Fund Replacement of RIT	\$1,278,243	-0-	\$1,342,155	-0-

The Department of Natural Resources and Conservation is responsible for the maintenance and enhancement of Montana's land, water, and energy resources.

Water is a major concern of the department, including administration of water rights, permits, and records; management of state-owned water projects; dam safety; weather modification permits and licenses; international, interstate, and Indian compact negotiations and agreements; water-related studies and planning; floodplain management; and provision of technical and financial assistance for development of water and other renewable resource projects.

Supervision, assistance, funding, and coordination are provided for local conservation and grazing districts in their stewardship of the soil and water resources necessary to sustain agriculture. Activities include regulation of projects affecting streams, assistance for small watershed projects, soil survey planning, and provision of low-interest loans for rangeland improvement.

Energy is a third area of department concern. Proposed major generation, conversion, and transmission facilities are evaluated, and the construction and

operation of approved facilities are monitored. Other activities involve petroleum fuels monitoring, special studies concerning energy supplies and demand, and emergency energy planning. Several programs promote energy conservation, while grants and loans are provided for projects involving renewable energy sources. Finally, the production of oil and gas is regulated to prevent waste and guard against environmental damage.

The department consists of five divisions: Centralized Services, Oil and Gas Conservation, Conservation Districts, Water Resources, and the Energy Division. The Board of Natural Resources and Conservation acts in an advisory capacity to the department. The seven-member board is appointed by the Governor.

Issue 1: General Fund Replacement of Resource Indemnity Trust Interest Funds

In the 1985 biennium, four divisions in the department were partially funded with Resource Indemnity Trust interest (RIT) funds. The Resource Indemnity Trust Funds are derived from a tax on individuals, or businesses, engaged in mining, extraction, or production of minerals. Table 1 shows the RIT interest funds appropriated to the department including actual 1984 expenditures. Water projects administered by the department and funded by RIT interest funds are not included in Table 1.

Table 1
RIT Appropriation/Expenditures in DNRC
1985 Biennium

	Appropriated FY 1984	Expenditures FY 1984	Appropriated FY 1985
Centralized Services	\$ 96,303	\$ 92,892	\$ 127,984
Oil and Gas	65,000	2,950	65,000
Conservation Districts	264,294	246,219	272,867
Water Resources	963,774	802,844	1,820,500
	<u>\$1,389,371</u>	<u>\$1,144,905</u>	<u>\$2,286,351</u>

RIT interest funds were appropriated in the 1985 biennium to the department to fund general operating expenses, except in the Oil and Gas Division where the RIT interest funds were specially appropriated to reclaim abandoned well sites. However, the 1983 legislature inserted language in HB 447, the appropriations bill, stating future appropriations from the RIT interest funds not be made to

fund operating expenses of state agencies. In accordance with this instruction in the 1987 biennium, RIT interest funds have been replaced by general funds in the Centralized Services, Conservation Districts and Water Resources Divisions. In the Oil and Gas Division, \$10,000 of RIT interest funds is included each year of the 1987 biennium to reclaim abandoned wells, but not to fund operating expenses of the division.

If the fiscal 1984 actual expenditures of RIT interest funds were carried forward through the 1987 biennium in the following divisions and inflated each year at 5 percent, the general fund would save approximately \$1,278,243 in fiscal 1986 and \$1,342,155 in fiscal 1987. Table 2 shows the general fund savings with RIT replacement in the 1987 biennium.

Table 2
General Fund Savings with RIT Replacement
1987 Biennium

	<u>FY 86</u>	<u>FY 87</u>
Centralized Services	\$ 102,413	\$ 107,534
Conservation Districts	291,384	305,953
Water Resources	<u>884,446</u>	<u>928,668</u>
Total	<u>\$1,278,243</u>	<u>\$1,342,155</u>

As utilized in the LFA current level, the disposition of the RIT interest account through the 1987 biennium is shown in Table 1.

The Resource Indemnity Trust Fund was established by the legislature to provide security against loss or damage to the environment from the extraction of non-renewable natural resources. These funds are derived from a tax on individuals or businesses engaged in mining, extraction, or production of minerals. The tax includes a \$25 fee, plus one-half of 1 percent of the gross value of the product at the time of extraction for the prior calendar year, if in excess of \$5,000, MCA (15-38-104).

All revenues from the tax are deposited in a trust account and invested by the Board of Investments. The legislature can appropriate all net earnings from this account after its balance is greater than \$10 million. Once the balance reaches \$100 million, both the earnings and all receipts can be appropriated. The law states "any funds made available under this chapter shall be used and

expended to improve the total environmental and rectify damage thereto." MCA (15-30-203). The trust account at the end of fiscal 1984 had a balance of \$42,986,128. The disposition of the resource indemnity trust interest fund is shown in Table 3.

Table 3
Resource Indemnity Trust - Interest Fund

	1985 Biennium	1987 Biennium
Beginning Balance	\$ 1,527,945	\$ 1,663,141
Revenue	<u>9,204,172</u>	<u>12,858,000</u>
Total Available	<u><u>\$10,732,117</u></u>	<u><u>\$14,521,141</u></u>
Expenditures		
30% Water Development	\$ 2,742,481	\$ 3,857,400 ¹
DNRC	3,939,731	20,000
DSL	2,386,764	-0-
6% Hazardous Waste	<u>-0-</u>	<u>771,480</u>
Total Expenditures	<u><u>\$ 9,068,976</u></u>	<u><u>\$ 4,648,880</u></u>
Balance	<u><u>\$ 1,663,141</u></u>	<u><u>\$ 9,872,261</u></u>

¹ The Oil and Gas Division includes \$20,000 to reclaim abandoned oil and gas wells.

Renewable Resources Development Fund

The Renewable Resources Development (RRD) Fund provided for in Section 90-2-101, MCA, is to be used for developments in the public interest of renewable natural resources. The law further states, "Renewable resource developments shall, whenever practicable, be multiple-use projects and shall not significantly diminish the quality of existing public resources..." MCA, 90-2-103. The fund contributes to acceptable projects in the form of loans and grants. The fund receives 1.25 percent of one-half of the coal severance tax.

Table 4 shows the disposition of funds from the RRD fund in the 1987 biennium. In the 1985 biennium, appropriations for renewable resource development funds will exceed the funds available. Therefore, the 1985 biennium ending fund balance is zero. In the 1987 biennium \$846,950 will be available for renewable resource development projects to be allocated according to Section 90-2-113, MCA.

Table 4
Renewable Resources Development Fund

	1985 Biennium	1987 Biennium
Beginning Balance	\$2,410,733	\$ -0-
Revenue	<u>1,201,408</u>	<u>1,117,850</u>
Total Available	<u>\$3,612,141</u>	<u>\$1,117,850</u>
Expenditures:		
DSL	\$ 50,000	\$ -0-
Bureau of Mines	60,000	-0-
DNRC	<u>3,502,141</u>	<u>270,900</u>
Total Expenditures	<u>\$3,612,141</u>	<u>\$ 270,900</u>
Ending Balance	<u>-0-</u>	<u>\$ 846,950</u>

Statutory Allocation of 1987 Biennium Revenues

Timber Stand Improvement	(15%)	\$ 127,042
Water Development Projects	(40%)	338,780
Conservation Districts for Water Reservations	(10%)	84,695
Montana Rangeland Resource Act	(15%)	127,042
Agricultural Land Improvements	(15%)	127,042
DNRC Designated Projects	(5%)	<u>42,349</u>
Total		<u>\$ 846,950</u>

¹Includes DNRC operations and grants.

Water Development Fund

The Water Development Fund Program was created in 1981 by the Montana Legislature to advance the beneficial use of water through financing water development projects and activities. Revenue sources for the Water Development Fund include 30 percent of Resource Indemnity Trust interest funds, .625 percent of the Coal Severance Tax through fiscal 1986 and .550 percent in fiscal 1987; and income from state owned water projects.

Operating expenses in DNRC and the Water Courts are supported with Water Development funds in the 1987 biennium. Remaining funds are available for appropriation for water projects. Table 5 details the revenue and expenditures

for the water development account through fiscal 1987.

Table 5
Water Development Account

	1985 Biennium	1987 Biennium
Beginning Balance	\$2,100,093	\$ 675,026
Revenue	<u>4,645,352</u>	<u>5,517,250</u>
Total Available	<u>\$6,745,445</u>	<u>\$6,192,276</u>
Expenditures		
Bond Payments	\$ 264,894	\$ 471,248
DNRC - Operations	1,869,981	3,673,798
Water Courts	838,243	1,082,885
Water Development Projects	<u>3,097,301</u>	<u>-0-</u>
Total Expenditures	<u>\$6,070,419</u>	<u>\$5,227,931</u>
Balance	<u>\$ 675,026</u>	<u>\$ 964,345</u>

CENTRALIZED SERVICES

Account Item	Actual Fiscal 1984	Appropriated Fiscal 1985	---Current Level---		% Change 1985-87 Biennium
			Fiscal 1986	Fiscal 1987	
General	44.37	45.00	40.50	41.00	(8.8)
Personal Service	\$1,094,234	\$1,134,810	\$1,084,651	\$1,093,589	2.2
Printing Expense	318,449	350,882	453,944	358,807	21.4
Equipment	3,583	5,624	4,178	2,066	(32.1)
Relocation	<u>-0-</u>	<u>-0-</u>	<u>6,353</u>	<u>10,330</u>	--
Total Expenditures	<u>\$1,416,266</u>	<u>\$1,491,316</u>	<u>\$1,549,126</u>	<u>\$1,464,792</u>	<u>3.6</u>
Fund Sources					
General Fund	\$1,069,230	\$1,089,885	\$1,105,624	\$1,015,859	(1.7)
State Special	314,664	371,745	287,471	292,902	(15.4)
General Revenue	<u>32,372</u>	<u>29,686</u>	<u>156,031</u>	<u>156,031</u>	<u>402.8</u>
Total Funds	<u>\$1,416,266</u>	<u>\$1,491,316</u>	<u>\$1,549,126</u>	<u>\$1,464,792</u>	<u>3.6</u>

The Centralized Services Division provides managerial and administrative support services for the department. The division is responsible for budgeting, accounting, purchasing, data processing, publications and inventory support.

Funding for the division is from the general fund and other division's earmarked revenues.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	45.00	44.37	.63
Personal Services	\$1,135,225	\$1,094,234	\$40,991
Operating Expenses	377,421	318,449	58,972
Equipment	2,713	3,583	(870)
Total Expenditures	<u>\$1,515,359</u>	<u>\$1,416,266</u>	<u>\$99,093</u>
<u>Funding</u>			
General Fund	\$1,136,187	\$1,069,230	\$66,957
State Special	349,775	314,664	35,111
Federal Revenue	29,397	32,372	(2,975)
Total Funds	<u>\$1,515,359</u>	<u>\$1,416,266</u>	<u>\$99,093</u>

In fiscal 1984, the department left two positions vacant, a secretary and drafter. The department stated that these positions were left vacant to achieve the vacancy savings necessary to fund personal services during the 1985 biennium. The secretary's duties were assigned to other positions and were accomplished during the fiscal year. The department is requesting that this position be utilized as a department receptionist in the department's new building during the 1987 biennium. The drafter's duties were also handled by other employees in the Cartography Bureau. The department stated that the position description is being rewritten and that this position will be utilized in the 1987 biennium.

In fiscal 1985, 1 FTE was transferred to the Department of Revenue from the Centralized Services Division. The position is associated with the transfer of the collection responsibility for the oil and gas producers privilege and license tax as provided for in Senate Bill 148.

Current Level Adjustments

Two positions were transferred from the Centralized Services Division to the

Oil and Gas Division. Both positions maintain oil and gas production records. The transfer is being made to consolidate all oil and gas responsibilities within one division. No change in funding is involved in this transfer. Both positions are funded by oil and gas earmarked revenue.

One pilot position is eliminated in the 1987 biennium at the department's request. The Department of State Lands is requesting to add this pilot position in a modified level request for the 1987 biennium.

One-half of one secretarial position was eliminated for fiscal 1986. This position was vacant all of fiscal 1984 and was vacant through September of fiscal 1985. The department stated that this position would be utilized as a department receptionist in their new building. The department is scheduled to move into the new building in February of fiscal 1986. Therefore, this position will be necessary less than half of fiscal 1986.

The department anticipates moving to the new DNRC building in February of 1986. The department is budgeted for seven months at its present non-state owned building and five months at its new building. Several minor adjustments in communications, utilities and miscellaneous expenditures have been made to recognize the department's move. A one-time increase of \$20,000 in fiscal 1986 is included to cover moving costs at the department. This allowance for relocation will be made a line item appropriation.

In the 1987 biennium, all Helena office rent has been budgeted in the Centralized Services Division and deleted from other divisions' budgets. For the first seven months of fiscal 1986, rent at the existing building will be \$176,900. For the remainder of fiscal 1986, rent at the new building will be \$102,543. Rent at the new building is budgeted at \$248,589 for fiscal 1987. Rent costs are \$2.97 per square foot in fiscal 1986 and \$3.00 per square foot in fiscal 1987. Rent costs are based on 82,863 square feet in the new building.

The following increases were also made in the division for the 1987 biennium: technical writing training--\$350; typesetting for publications--\$320; writing workshop--\$30 in fiscal 1986 and \$65 in fiscal 1987; and data processing supplies--\$655. Audit costs are \$21,000 in fiscal 1986.

Equipment for the 1987 biennium includes one platform truck and a handpallet truck costing \$1,000 in fiscal 1986. Various office equipment is included at a cost of \$3,170 in fiscal 1986 and \$2,066 in fiscal 1987.

OIL AND GAS CONSERVATION DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	23.00	25.00	24.00	24.00	(0.0)
Personal Service	\$519,562	\$584,570	\$583,195	\$584,546	5.7
Operating Expense	203,931	371,500	239,801	230,983	(18.1)
Equipment	38,156	37,054	30,820	27,652	(22.2)
Inflation	-0-	-0-	8,678	13,797	--
Total Expenditures	<u>\$761,649</u>	<u>\$993,124</u>	<u>\$862,494</u>	<u>\$856,978</u>	<u>(2.0)</u>
Fund Sources					
State Special	<u>\$761,649</u>	<u>\$993,124</u>	<u>\$862,494</u>	<u>\$856,978</u>	<u>(2.0)</u>

The Oil and Gas Conservation Division is responsible for preventing waste and providing for the conservation of crude oil and natural gas through regulation of exploration and production activities, including issuance of drilling permits, classification of wells, establishment of well spacing units and pooling orders, inspection of drilling, production and seismic operations, investigation of complaints, engineering studies and collecting and maintaining complete well data and production information.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	23.00	23.00	0.00
Personal Services	\$549,536	\$519,562	\$ 29,974
Operating Expenses	361,798	203,931	157,867
Equipment	<u>60,804</u>	<u>38,156</u>	<u>22,648</u>
Total Expenditures	<u>\$972,138</u>	<u>\$761,649</u>	<u>\$210,489</u>
Funding			
State Special	<u>\$972,138</u>	<u>\$761,649</u>	<u>\$210,489</u>

In fiscal 1984, two field inspector positions were not filled due to the lack of oil and gas exploration activity. These positions were added by the 1983 legislature and were to be utilized only if the workload increased as a result of

increased oil and gas exploration. The department has stated it anticipates these positions will be filled because exploration appears to be increasing especially in western Montana. The 1983 legislature authorized two oil and gas inspector positions in fiscal 1985. These positions are retained in the 1987 biennium.

In fiscal 1984, three vehicles were purchased compared to four included in the fiscal 1984 appropriation. The additional vehicle was not purchased because of the unfilled field inspector positions.

Current Level Adjustments

In the 1987 biennium, three positions have been eliminated from the division. Two field inspector positions, both vacant, were eliminated. One programmer analyst position was eliminated due to the completion of the initial development of the Oil and Gas Records System.

Two positions, both statistical technicians, were transferred from the Centralized Services Division to the Oil and Gas Division. Both positions maintain oil and gas production records. This is an organizational transfer between divisions and will not change the duties or funding of the positions.

Overtime costs are included of \$6,500 each year of the 1987 biennium. Field inspectors must occasionally work overtime to witness tests and well pluggings and to respond to emergency calls. Also included each year of the biennium is \$6,500 for per diem compensation for the Board of Oil and Gas Conservation.

Contracted services for the 1987 biennium will incur the following increases: \$500 annually to provide water and soil analysis resulting from drilling operations; \$10,000 in printing costs in fiscal 1986 to publish Volume II of Core Sample Catalog; \$4,100 in education and training costs to provide safety training for field inspectors working around wells producing lethal gas; \$9,000 in private legal counsel specializing in oil and gas law; and \$3,450 in graphics and typesetting costs associated with the sample catalog and summary of field performances.

Supply expenditures are increased approximately \$2,500 in fiscal 1986 and fiscal 1987 due to the purchase of safety supplies and data processing supplies.

Office rent in Helena is now budgeted in the Centralized Services Division. This change results in a \$6,000 decrease annually in the Oil and Gas Division.

Out-of-state travel is increased approximately \$9,000 annually to allow eight annual trips to semi-annual Interstate Oil Compact Commission meetings and meeting of the United States Geological Survey.

Equipment items in fiscal 1986 include two replacement vehicles (\$17,730), office equipment (\$4,754), duplicating equipment (\$7,356), and lab equipment,

(\$1,000). Equipment items in fiscal 1987 include one replacement vehicle (\$9,000), office equipment (\$2,252), duplicating equipment (\$4,200), lab equipment (\$200), and data processing equipment (\$12,000).

In each year of the 1987 biennium, \$10,000 is included of Resource Indemnity Interest funds to allow the division to plug and reclaim abandoned well sites. In fiscal 1984, \$2,900 was expended for this purpose. However, to date, only three well sites have been reclaimed averaging \$2,500 each. The Oil and Gas Commission anticipates that more wells will be reclaimed as more are reported by landowners.

CONSERVATION DISTRICTS DIVISION

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	5.20	5.20	5.00	5.00	(3.8)
Personal Service	\$107,878	\$123,672	\$126,695	\$126,838	9.4
Operating Expense	106,658	130,714	108,269	108,269	(8.7)
Equipment	6,224	717	9,827	250	45.1
Inflation	-0-	-0-	2,013	3,262	--
Total Operating Costs	\$220,760	\$255,103	\$246,804	\$238,619	2.0
Non-Operating Costs	282,138	340,000	320,000	320,000	2.8
Total Expenditures	<u>\$502,898</u>	<u>\$595,103</u>	<u>\$566,804</u>	<u>\$558,619</u>	<u>2.4</u>
<u>Fund Sources</u>					
General Fund	\$ -0-	\$ -0-	\$270,804	\$262,619	--
State Special	500,514	590,711	296,000	296,000	(45.7)
Federal Revenue	2,384	4,392	-0-	-0-	(100.0)
Total Funds	<u>\$502,898</u>	<u>\$595,103</u>	<u>\$566,804</u>	<u>\$558,619</u>	<u>2.4</u>

<u>ISSUE: Cost (Savings)</u>	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Fund</u>
1. Administrative Cost Subsidy	\$(100,000)	-0-	\$(100,000)	-0-

The Conservation Districts Division provides supervision, assistance, and coordination to the 59 conservation districts in the state. The primary responsibility of the division is to work with the local district towards developing and implementing plans for proper management of land and water resources. Three advisory committees - the Resource Conservation Advisory Committee, the Soil Survey Advisory Committee, and the Rangeland Resources Committee are administratively

attached to the conservation district supervisor's office.

The division provides legal assistance, advice about the formation and operation of grazing districts, and assistance in the development of land use plans to local grazing districts. The grazing districts are charged a fee for those services. The department sets the fee in an amount not to exceed 15 cents per animal unit. The grazing districts currently contribute five cents per animal unit for this assistance. The fees received for fiscal 1984 were \$8,300. Funding from these fees is estimated to be approximately \$12,000 in fiscal 1986 and fiscal 1987. These amounts include a portion of the fiscal 1985 balance.

The division administers the Rangeland Improvement Loan Program. The Rangeland Improvement Loan Program is funded from 15 percent of the revenues to the renewable resources development fund which is supported by 2.5 percent of the coal severance tax. The loans or grants made from this fund are allowed for the conservation, management, utilization, development, or preservation of the land, water, timber, fish, wildlife, or other renewable resources of the state. The division staff analyze and approve loan and grant applications. Local input is provided by the Rangeland Resources Advisory Council. However, the council is strictly advisory, and the division staff makes the final decisions. These loans are not included in current level figures.

The division also administers the Conservation District Grant Program, which is funded by .25 percent of the coal severance tax. The grants are distributed based on need, but only after a conservation district has exhausted the funds from its mill levy. By statute, the districts can apply to the department for grants for any purpose the districts are authorized. The current level includes \$220,000 in each year of the 1987 biennium for grants.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	5.20	5.20	0.00
Personal Services	\$123,957	\$107,878	\$16,079
Operating Expenses	120,895	106,658	14,237
Equipment	297	6,224	(5,927)
Total Operating Costs	\$245,149	\$220,760	\$24,389
Grants/Benefits	340,000	282,138	57,862
Total Expenditures	<u>\$585,149</u>	<u>\$502,898</u>	<u>\$82,251</u>
<u>Funding</u>			
State Special	\$580,909	\$500,514	\$80,395
Federal Revenue	4,240	2,384	1,856
Total Funds	<u>\$585,149</u>	<u>\$502,898</u>	<u>\$82,251</u>

In fiscal 1984, two positions were vacant all of fiscal 1984. These positions include 1 FTE resource program specialist and .2 FTE typist. The resource program specialist position was filled early in fiscal 1985. This position is responsible for assisting with the Rangeland Loan and Conservation District Program. The .2 FTE typist position is eliminated in the 1987 biennium. If the division needs additional typing support, other secretarial help in the department could be utilized.

In fiscal 1984, \$297 was appropriated for equipment. However, actual expenditures exceeded \$6,000. The division purchased one word processor, one camera, one slide projector and one stand for a copier.

Current Level Adjustments

In the 1987 biennium, .2 FTE typist position is eliminated. This position was vacant all of fiscal 1984 and remains vacant through September of fiscal 1985.

Two positions were upgraded in the 1987 biennium as a result of reclassifications. Responsibilities for these positions have increased as a result of new loan and grant programs and increased demand by conservation districts.

Per diem is included for five meetings of the Resource Advisory Council at a total cost of \$875 annually.

Printing costs are increased by approximately \$2,400 to print two program books, two directories, three brochures, and updating of five-year plans. Monitoring of stream bank stabilization projects will be increased by \$165 annually.

In the 1987 biennium, the division will staff an open position in the Miles

City office. This will increase gasoline, rent, office equipment and maintenance costs. Also, a vehicle is included in fiscal 1986 at a cost of \$8,520. Additional equipment includes one typewriter - \$862; one camera - \$195; and educational film for use in the districts - \$250 annually.

Office rent is now budgeted in the Centralized Services Division. This change results in a \$6,400 annual decrease in the Conservation District Division.

Issue 1: Conservation District Administrative Cost Subsidy

The 1985 legislature approved \$100,000 in Resource Indemnity Interest Funds to subsidize the administrative costs of conservation districts. This is replaced with general fund in the 1986-1987 current level. The legislature appropriated these funds so all coal funds appropriated to the conservation districts could be utilized for grants and the administrative expenses could be paid outside the grant process. Previously, the districts were paying their administrative costs through county funds and coal tax funds.

Currently, state law 76-13-515, MCA, provides a maximum of 1 1/2 mills be assessed on the total taxable valuation of real property within each district. This assessment provides funds to support the administrative expenses of the 59 conservation districts. For those districts which have exhausted their authorized mill levy, the department uses the \$100,000 of requested general fund appropriation to subsidize their administrative costs. The department anticipates subsidizing approximately 40 counties during the 1987 biennium.

The maximum of 1 1/2 mills has not been increased since 1969. Furthermore, this maximum has increased only one mill since 1963. If this maximum 1 1/2 mills were increased by 1/4 mill, approximately \$200,000 in additional revenue could be generated annually based on 1983 taxable values. This additional revenue would be sufficient to cover all current level operating costs of the districts and eliminate the need for the \$100,000 general fund subsidy.

Option 1: Appropriate \$100,000 each year of the 1987 biennium in general fund to subsidize administrative expenses of conservation districts. This option is included in current level.

Option 2: Do not appropriate \$100,000 each year of the 1987 biennium in general fund to subsidize operating expenses of conservation districts. However, if these operating expenses are to be funded an increase in the maximum assessed mills will be necessary. An increase of 1/4 mill will raise sufficient revenues to offset the \$100,000 loss. This action would require a change to 76-15-515, MCA.

WATER RESOURCES DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	141.59	140.59	140.59	140.59	(0.3)
Personal Service	\$3,027,443	\$3,205,462	\$3,243,449	\$3,250,862	4.1
Operating Expense	1,628,176	1,417,040	1,121,287	1,171,287	(26.3)
Equipment	90,067	24,000	69,241	25,486	(16.9)
Inflation	-0-	-0-	45,181	74,296	--
Total Operating Costs	\$4,745,686	\$4,646,502	\$4,479,158	\$4,471,931	(4.6)
Non-Operating Costs	<u>1,229,680</u>	<u>300,000</u>	<u>8,500</u>	<u>8,500</u>	<u>(98.9)</u>
Total Expenditures	<u>\$5,975,366</u>	<u>\$4,946,502</u>	<u>\$4,487,658</u>	<u>\$4,480,431</u>	<u>(17.8)</u>
<u>Fund Sources</u>					
General Fund	\$2,703,027	\$1,843,525	\$2,543,223	\$2,535,996	11.7
State Special	3,202,548	3,050,151	1,901,635	1,901,635	(39.1)
Federal Revenue	<u>69,791</u>	<u>52,826</u>	<u>42,800</u>	<u>42,800</u>	<u>(30.1)</u>
Total Funds	<u>\$5,975,366</u>	<u>\$4,946,502</u>	<u>\$4,487,658</u>	<u>\$4,480,431</u>	<u>(17.8)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Water Rights Compact Commission				
Option a.	\$(187,000)	-0-	\$(187,000)	-0-

The Water Resources Division is responsible for many programs associated with the uses, development and protection of Montana's water. These programs include the following:

Floodplain Management Program--responsible for determining the floodways and one hundred-year floodplain boundaries for every water course and drainway in the state. Concurrent with this primary function is the management and regulation of flood-prone lands to prevent or alleviate flood threats to life and property.

Water Rights Program--responsible for carrying out Article IX of the State Constitution and the Montana Water Use Act, which provides that any use of the state's waters is a public use, and that waters in the state are the property of the state, for the use of the people, and are subject to appropriations for beneficial use.

Water Adjudication Program--responsible for the protection and confirmation of all rights to the use of any waters for any useful or beneficial purpose that

existed prior to the effective date of the Montana Water Use Act of July 1, 1973.

Water Engineering--responsible for providing engineering assistance to state water user associations, and promoting safety and economic stability of state-owned water projects through professional engineering services.

Water Management Program--responsible for providing technical information and assistance on hydrology, geohydrology, geology, and soils to water users and units of government, and for the collection, compilation and analysis of water and related land resources data, projection of future water requirements, and formulation of plans, alternatives and methods of implementation to enable full utilization of these resources within the state.

Water Development Program--responsible for administration of the state's Water Development and Renewable Resource Development Programs to allow full economic and social benefits from the state's water and other renewable resources.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	141.59	141.59	0.00
Personal Services	\$3,236,271	\$3,027,443	\$208,828
Operating Expenses	1,910,368	1,628,176	282,192
Equipment	63,200	90,067	(26,867)
Total Operating Costs	\$5,209,839	\$4,745,686	\$464,153
Capital Outlay	500,000	60,000	440,000
Total Expenditures	<u>\$5,709,839</u>	<u>\$4,805,686</u>	<u>\$904,153</u>
<u>Funding</u>			
General Fund	\$2,818,703	\$2,703,027	\$115,676
State Special	2,811,922	2,032,868	779,054
Federal Revenue	79,214	69,791	9,423
Total Funds	<u>\$5,709,839</u>	<u>\$4,805,686</u>	<u>\$904,153</u>
<u>Additions:</u>			
Legislation - Not Allocated	\$7,461,090	\$1,169,680	\$6,291,410

In fiscal 1984, the division left vacant 8.12 FTE. According to the department, these positions were left vacant for a variety of reasons. Travel expenditures were less than appropriated due to the lack of negotiations between

the Reserved Water Rights Compact Commission and the Montana Indian tribes. Legislation not allocated includes water projects appropriated in House Bill 897, Senate Bill 401, House Bill 876, House Bill 745, House Bill 597, House Bill 334, and House Bill 914.

Equipment purchased in fiscal 1984 included two replacement vehicles for Helena and Glasgow field offices--\$17,894; telephone systems for Billings and Kalispell field offices--\$5,867; computer packages for six field offices and various office equipment--\$25,972; CRT tables for two field offices, copy machines for two field offices, maps, cabinets--\$26,477; auto-level with tripod--\$4,349; and rotary camera--\$8,605.

Current Level Adjustments

Fiscal 1984 included 1 FTE to continue the federally funded National Water Use Data System. This position is not continued in fiscal 1985 or the next biennium. Federal funds have been terminated for this program which was designed to compile and continually update state water use information into a national system.

A vacancy rate of 7 percent has been applied to the Water Resources Division in the 1987 biennium. This higher rate was applied because the division experienced a vacancy savings rate of 10 percent for fiscal 1984.

Operating expenses for Helena office rent have been budgeted in the Centralized Services Division for the 1987 biennium. The change has reduced the Water Resource Division budget by approximately \$43,000 each year of the 1987 biennium. Rent for the nine water adjudication field offices remains in the Water Division at a cost of \$52,372 annually.

Consulting and professional services totaling \$270,000 annually, are included in the Water Resource Division. These services include stream gauging in which the state contributes 50 percent to the U.S. Geological Services Program, technical assistance, development of rural water systems and sedimentation studies.

Additional supplies totaling \$4,340 are included in the 1978 biennium for film and gasoline related to the water adjudication, development and management efforts.

Postage and advertising expenditures are increased \$17,118 to reflect a full year of activity expected in the Water Adjudication Program. The Water Adjudication Program was active for approximately half of fiscal 1984.

In-state travel is increased \$17,800 to allow the Reserved Water Rights Compact Commission to resume a full schedule of negotiations with the tribes. This

increase will also allow increased field investigations of water development projects.

The Water Resources Division budget includes the equipment in the 1987 biennium listed in Table 6.

Table 6
Water Resource Division Equipment
1987 Biennium

	<u>FY 86</u>	<u>FY 87</u>
1. Vehicle Replacement		
5 Vehicles	\$42,300	\$ -0-
2 Vehicles	-0-	18,440
2. Data Processing Equipment	12,654	-0-
3. Office Equipment	10,162	6,546
4. Engineering Equipment	<u>4,125</u>	<u>500</u>
Total	<u>\$69,241</u>	<u>\$25,486</u>

Issue 1: Reserved Water Rights Compact Commission

The Reserved Water Rights Compact Commission was granted authority by the 1979 legislature to conclude compacts for the equitable division and apportionment of waters between the state and the several Indian tribes claiming water within the state. The commission is also authorized to conclude compacts with federal agencies which have claims to reserved water. To date the Compact Commission has not concluded any compacts with any Indian tribes or federal agencies.

Unless the 1985 legislature takes action to continue the Compact Commission, it will cease to exist after July 1, 1985. If the Compact Commission does expire, Indian and federal reserved water rights would then be adjudicated in the state water courts in the same fashion as all other existing rights, unless the Supreme Court decides the water courts lack jurisdiction over Indian water rights.

The Compact Commission is included in the current level budget in the 1987 biennium at a general fund cost of \$187,000 annually.

Option a: If the legislature decides not to extend the Compact Commission, the general fund savings would be \$187,000 annually.

ENERGY DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	52.74	38.00	38.00	38.00	(16.2)
Personal Service	\$1,059,042	\$ 970,595	\$1,001,734	\$1,003,989	(1.1)
Operating Expense	775,648	2,112,391	2,620,546	2,546,546	78.9
Equipment	2,550	450	3,519	3,250	125.6
Inflation	-0-	-0-	11,926	19,231	--
Total Operating Costs	\$1,837,240	\$3,083,436	\$3,637,725	3,573,016	46.5
Non-Operating Costs	2,104,918	3,251,940	1,244,214	1,150,706	(55.2)
Total Expenditures	<u>\$3,942,158</u>	<u>\$6,335,376</u>	<u>\$4,881,939</u>	<u>\$4,723,722</u>	<u>(6.5)</u>
Fund Sources					
General Fund	\$ 546,385	\$ 554,943	\$ 552,930	\$ 556,686	.7
State Special	2,038,591	4,336,614	3,332,000	3,178,000	2.1
Federal Revenue	1,343,978	1,443,819	997,009	989,036	(28.7)
Other Funds Approp.	13,204	-0-	-0-	-0-	(100.0)
Total Funds	<u>\$3,942,158</u>	<u>\$6,335,376</u>	<u>\$4,881,939</u>	<u>\$4,723,222</u>	<u>(6.5)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Major Facility Siting Bureau Funding				
Option b:	\$(40,000)	-0-	\$(40,000)	-0-

The Energy Division is responsible for the administration of the Montana Major Facility Siting Act, the Alternative Energy Grant and Loan Program, the Energy Emergency Powers Act and federally sponsored energy conservation programs.

The Major Facility Siting Act is enforced to insure that the location, construction, and operation of transmission, generation and conservation facilities produce minimal adverse impacts on the people and the environment.

The Alternative Energy Grant and Loan Program awards grants and loans to individuals and organizations for projects that research, develop, demonstrate, or communicate the use of renewable energy sources such as solar, wind, geothermal, water and biomass.

The division monitors energy supply and demand on an ongoing basis to alert the Governor to potential problems and be able to effectively target state emergency response actions in administering the Energy Emergency Powers Act.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	38.00	52.74	0.00
Personal Services	\$ 970,653	\$1,059,042	\$ (88,389)
Operating Expenses	2,175,790	775,648	1,400,142
Equipment	3,950	2,550	1,400
Total Operating Costs	\$3,150,393	\$1,837,240	\$1,313,153
Grants/Benefits	3,227,120	2,104,918	1,122,202
Total Expenditures	<u>\$6,377,513</u>	<u>\$3,942,158</u>	<u>\$2,435,355</u>
<u>Funding</u>			
General Fund	\$ 591,750	\$ 546,385	\$ 45,365
State Special	3,955,064	2,038,591	1,916,473
Federal Revenue	1,830,699	1,343,978	486,721
Other	-0-	13,204	(13,204)
Total Funds	<u>\$6,377,513</u>	<u>\$3,942,158</u>	<u>\$2,435,355</u>

In fiscal 1984, 7.3 FTE positions were vacant. One FTE position associated with oil overcharge (Warner Amendment) funds was not utilized as all funds were distributed in grants. This position was deleted in fiscal 1985. In addition, of the \$1 million appropriation for facility siting work, only \$226,016 was actually spent. Facility siting positions are paid with general fund if sufficient project funds are not available.

Current Level Adjustments

One FTE associated with federal oil overcharge funds was deleted in fiscal 1985. At this time, the department is not aware of any oil overcharge funds which will be released during the 1987 biennium. In fiscal 1984, \$233,000 in oil overcharge funds were used as technical assistance and retrofit grants to 25 school districts, hospitals, nursing homes and universities as part of the Institutional Conservation Program. These expenditures have not been carried forward to the 1987 biennium.

The Energy Division includes \$661,500 in fiscal 1984 and \$650,000 in fiscal 1987 for consultant and professional services. These services include a wide variety of work associated with the Major Facility Siting Program, State Energy

Conservation Program, Energy Extention Service, Technical Assistance Program, Institutional Conservation Program and Renewable Energy and Conservation Program.

Printing is increased for the 1987 biennium approximately \$85,000 each year primarily for brochures and advertising associated with energy-related programs.

Energy Division office rent has been pulled-out of the division budget and consolidated in centralized services. This amounts to an \$87,135 reduction in the Energy Division.

Equipment for the division includes replacement of one eight year-old magnetic card writer in fiscal 1986 for \$3,000 and replacement of one six-year-old typewriter with one memory typewriter in fiscal 1987 for \$3,000. Two calculators are replaced in fiscal 1986 for \$519 and one microfiche reader in fiscal 1987 for \$250.

Energy Division grants included in the 1987 biennium are shown in Table 7.

Table 7
Energy Division Grants- 1987 Biennium

	<u>FY 86</u>	<u>FY 87</u>
1. Renewable Energy Grants	\$ 919,214	\$ 825,706
2. Institutional Conservation Grants	25,000	25,000
3. Institutional Building Grants	300,000	300,000
Total	<u>\$1,244,214</u>	<u>\$1,150,706</u>

Also included in the 1978 biennium are Renewable Energy Loans totaling \$544,000 in fiscal 1986 and \$482,000 in fiscal 1987.

Lake Broadview Project

Included in current level for the 1987 biennium is \$56,600 each year to allow the department to carry out habitat improvement or other measures capable of increasing the annual production of waterfowl in order to offset waterfowl wire strike losses caused by the Colstrip project. The Board of Natural Resources and Conservation issued a supplemental order in 1981 to amend the Certificate of Environmental Compatibility and Public Need for Colstrip Units 3 and 4. The order requires the applicants to provide funds for the department to carry out habitat improvement. The department has purchased duck nesting areas on Big

Lake with some of the funds. The department has requested a biennial appropriation for these funds.

Alternative Energy Grant and Loan Program-Changing Emphasis

The Alternative Energy Grant and Loan Program during the years 1977-1981 was aimed at a large number of individuals to encourage inventiveness and demonstration of new technologies. In 1981, at the insistence of the director, the program began to change its emphasis and projects were more carefully screened to select a broad sector of the public and include strong informational components. Commercial projects were considered for the first time and loans were made available in fiscal 1982.

In fiscal years 1983 and 1984, the emphasis of the program was placed on guiding the program by using "request for proposal's" and identifying within the application guidelines, technical areas that were of particular interest to the department. The department is currently requesting ideas from special interest groups and the public for educational projects.

The trend of the program is away from funding a large number of small, general proposals, to funding a relatively small number of complete, technical proposals resulting in a higher cost per proposal. Grants continue to be awarded in renewable energy and conservation technologies. The biomass area is currently receiving the greatest number of proposals followed by solar projects.

Facility Siting

Operations in each year of the 1987 biennium include \$1 million to conduct facility siting work when requested. As the funding of such work is dependent upon fees collected by the department from the applicants for projects, if no proposals are made, no funds will be available. The Major Facility Siting Bureau evaluates specific energy projects that fall under Montana's Major Facility Siting Act. The department is designated the lead agency under the Montana Environmental Policy Act.

Issue 1: Major Facility Siting Bureau Funding

In fiscal 1984, the Facility Siting Bureau spent \$472,308 in supporting 7 FTE core staff and associated operating expenses. Total expenditures are shown in Table 8.

Table 8
Facility Siting Bureau
Fiscal 1984 Expenditures

Facility Siting Bureau	Fiscal 1986 Expenditures	- Budgeted 1987 Biennium -	
		Fiscal 1986	Fiscal 1987
FTE	7.00	6.00	6.00
Personal Services	\$325,559	\$ 179,849	\$ 180,479
Operating Expenses	146,719	1,036,362	1,032,626
Equipment	30	-0-	-0-
Total Expenditures	<u>\$472,308</u>	<u>\$1,216,211</u>	<u>\$1,213,105</u>
General Fund	\$230,411	\$ 216,211	\$ 213,105
Siting Fees	226,016	1,000,000	1,000,000
Federal Funds	15,881	-0-	-0-
Total Funds	<u>\$472,308</u>	<u>\$1,216,211</u>	<u>\$1,213,105</u>

Projects which fall under the MFSA are subject to a fee which is paid to the department to support the evaluation analysis done by the Facility Siting Bureau staff. The core staff concept is based on the premise that general fund will pay the salaries of the core staff to maintain continuity of the program. However, to the extent fees are collected and available, the core staff will be paid with fees and the general fund reverted. Director Leo Berry stated during the 1983 legislative session, "the bureau operates off of fees collected from projects. As fees come in, they will replace general fund. General fund would then revert."

In fiscal 1984, the seven core staff were authorized approximately \$178,872 to pay salaries and benefits. The bureau collected a total of \$245,307 in project fees of which \$226,016 was spent to support bureau operations. However the bureau spent \$230,411 in general funds. If the department is to be consistent with its stated position to support core staff positions with project fees, then the department should revert general fund and apply project fees. If project fees are not adequate to support the core staff, then the department should consider reducing staff or increasing the fees. Table 9 shows the projects being evaluated under the Major Facility Siting Act.

Table 9
Facility Siting Act Application in Process

<u>Facility</u>	<u>Applicant</u>	<u>Size</u>	
1. Clyde Park--Dillon	MPC	161 KV	Transmission Lines (163 Miles)
2. Kootenai Falls	Northern Lights	144 MW	Hydroelectric
3. Salem Project	MPC	350 MW	Coal-Fired Electric

Unless additional projects arise that require an evaluation under the Major Facility Siting Act, the 6.00 FTE core staff may need to be reduced in the 1987 biennium. In the event projects do arise, project fees would be available to fund additional staff. However, at this time it appears the core staff could be reduced by 2.00 FTE and the general fund reduced approximately \$40,000 in each year of the 1987 biennium.

The legislature may wish to respond to this situation with one of the following options.

Option a: Include language in the appropriations bill recommending that the department comply with the policy to fund the core staff with project fees to the extent they are available.

Option b: Reduce the core staff of the Facility Siting Bureau by 2.00 FTE resulting in a general fund reduction of \$40,000 annually.

Option c: Increase the project fees under the Major Facility Siting Act.

DEPARTMENT OF AGRICULTURE

		-----1987 Biennium-----	
	FTE FY '87	General Fund	Total Funds
Executive Budget	91.24	\$3,323,354	\$8,279,422
LFA Current Level	87.74	2,964,962	8,164,995
Executive Over (Under) LFA	<u>3.50</u>	<u>\$ 358,392</u>	<u>\$ 114,427</u>

The executive budget exceeds the current level by \$114,427 in total funds in the 1987 biennium including an increase of \$358,392 in general fund. The executive budget has funded 3.5 FTE more than current level. The following issues reflect the major difference between the executive budget and current level.

CENTRALIZED SERVICES

Issue 1: Funding Allocations

The executive budget includes approximately \$50,000 more general fund over the 1987 biennium for current level services than the LFA current level. Approximately \$15,000 of this amount is related to higher operating expenses. However, \$35,000 is related to the executive budget's funding allocations to support the Centralized Services budget. The executive budget has increased general fund support and reduced funding allocations in the 1987 biennium in two state earmarked accounts--commercial fertilizer and commercial feed, and one federal earmarked account--Environmental Protection Agency funds. The current level has applied these funds in the 1987 biennium based on their contribution to the division in fiscal 1984.

Issue 2: Weed Coordinator

The executive budget includes a weed coordinator to work with county and state agencies and the public to coordinate statewide weed control efforts. This position will increase current level by 1 FTE and \$64,874 in general fund in the 1987 biennium.

Issue 3: Data Processing

The executive budget includes an additional \$34,933 in federal and state earmarked funds for the 1987 biennium for an expansion of the department's data processing system. This expansion is intended to allow for timely response to licensing and training requirements.

HAIL INSURANCE

Issue 4: Appropriation of Hail Insurance Funds

The executive budget does not include a budget for the Hail Insurance Program in the 1987 biennium. Although this program has been appropriated in the past, the executive budget states that current statutes do not require an appropriation for this program because it is funded through an expendable trust fund.

The Hail Insurance Program is supported by two percent of the gross annual levies collected from the participants to be transferred to counties and one and one-half percent to the general fund. If the legislature wishes to maintain appropriation control over the administration portion of the Hail Insurance Program, the law could be changed to fund the administrative portion from a state special revenue earmarked account instead of an expendable trust account.

The current level budget for the Hail Insurance Program is \$325,518 in the 1987 biennium.

ENVIRONMENTAL MANAGEMENT

Issue 5: Laboratory Remodel

The executive budget includes \$100,000 more general fund in fiscal 1986 than current level for remodeling and repairing the laboratory in Bozeman. This is listed as an issue in the LFA analysis with a suggestion that it could be referred to the Long-Range Building Program.

Issue 6: Clerk/Custodian

The executive budget includes \$16,636 general fund for a clerk/custodian to perform additional laboratory sample custodial work and handle clerical work. The position will add .5 FTE to the current level.

Issue 7: Pesticide Training Program

The executive budget includes \$29,596 in private funds for a training program to re-license and re-certify persons dealing in or applying pesticides. All costs are funded with training fees collected by the department. No FTE will be added to current level by the addition of this program.

Issue 8: Environmental Protection Agency Sample Analysis

The executive budget includes \$177,575 in Environmental Protection Agency funds to conduct sample analysis at the laboratory. This additional program

would add 2 FTE to the current level in the 1987 biennium.

The LFA current level has added \$200,000 in Environmental Protection Agency funds to support current level operations and reduce general fund. The laboratory currently conducts sample analysis for the Environmental Protection Agency. However, no additional FTE or operating expenses have been added to the LFA's current level. The Environmental Management Division reflects this difference as the executive budget includes approximately \$148,000 more in general fund than the current level in the 1987 biennium.

PLANT INDUSTRY

Issue 9: Feed Contaminants

The executive budget includes an additional \$32,224 in federal funds in the 1987 biennium to collect and analyze animal feeds. This additional service includes .33 FTE. The LFA current level does not include this additional program.

AGRICULTURAL DEVELOPMENT

Issue 10: Appropriation of Rural Development Funds

The executive budget includes no recommended budget for the Rural Development Program. The executive budget states that no appropriation is necessary because the program is supported through an expendable trust fund. The Rural Development Program provides agricultural loans to low income Montanans. In the 1987 biennium 2 FTE will administer the program.

The LFA current level reflects an operating budget for the Rural Development Program of \$131,065 in the 1987 biennium. The Rural Development Program has been appropriated in the past. If the legislature wishes to maintain legislative control over the administrative costs of the program, the law could be changed to fund the administrative portion from a state special revenue account instead of an expendable trust account.

Issue 11: Agriculture Statistical Bulletin

In fiscal 1986, the executive budget includes \$6,320 of general fund to permit publishing of the agriculture statistical bulletin on an annual basis. In the past, the bulletin has been published every other year. The current level maintains an alternate year publishing schedule.

Issue 12: Beginning Farm Loan Program

The executive budget includes \$44,544 in the 1987 biennium for an

additional 1 FTE and operational costs. The additional staff would be evaluating loan applications under the Beginning Farmer Loan Program. Funding is from a 2 percent bond origination fee. The current level does not include this additional staff.

DEPARTMENT OF AGRICULTURE

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	97.77	95.74	87.74	87.74	(9.3)
Personal Services	\$2,017,053	\$2,225,204	\$2,089,012	\$2,092,287	(1.4)
Operating Expense	705,538	819,503	784,739	759,887	1.2
Equipment	114,203	15,645	147,666	137,630	119.0
Inflation	-0-	-0-	30,672	53,102	--
Total Operating Costs	\$2,836,794	\$3,060,352	\$3,052,089	\$3,042,906	3.3
Non-Operating Costs	937,993	657,886	1,035,000	1,035,000	29.7
Total Expenditures	<u>\$3,774,787</u>	<u>\$3,718,238</u>	<u>\$4,087,089</u>	<u>\$4,077,906</u>	<u>8.9</u>
<u>Fund Sources</u>					
General Fund	\$1,514,204	\$1,589,378	\$1,480,664	\$1,484,298	(4.4)
State Special	467,608	704,436	581,147	560,425	(2.5)
Federal Revenue	1,494,708	1,050,603	1,587,353	1,592,610	24.9
Other Funds Approp.	217,875	230,811	252,688	254,029	12.9
Proprietary Fund	80,392	143,010	185,237	186,544	66.4
Total Funds	<u>\$3,774,787</u>	<u>\$3,718,238</u>	<u>\$4,087,089</u>	<u>\$4,077,906</u>	<u>8.9</u>

The Montana Department of Agriculture is responsible for promoting Montana's agricultural interest while managing related licensing, registration, and inspection programs. The department consists of four divisions: Centralized Services, Environmental Management, Plant Industry, and Agricultural Development Divisions. Also attached to the department are the Hail Insurance Unit and the Wheat Research and Marketing Program.

The Agricultural Development Division is a new division which combines three bureaus: Rural Development, Marketing, and Crop and Livestock Reporting Bureaus. The Beginning Farmers Loan Program was transferred from the Centralized Services Division to the Agricultural Development Division.

In the 1987 biennium, the decline in FTE in the department is due to the reduced operation of the grain lab. Eight FTE are eliminated from the grain lab from fiscal 1985 to fiscal 1986.

Federal special revenues increase approximately 25 percent in the 1987 biennium primarily due to an increase in special wheat research and marketing funds and an increase in federal Environmental Protection Agency funding in the Environmental Management Division. Proprietary revenues increase 68 percent

due to the Beginning Farmer Loan Program operating at a full level of operation in the 1987 biennium.

CENTRALIZED SERVICES

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	8.50	8.50	11.00	11.00	12.8
Personal Services	\$245,357	\$237,885	\$294,321	\$295,000	21.9
Operating Expense	58,705	44,338	61,421	41,458	(0.1)
Equipment	434	1,043	506	-0-	(65.7)
Inflation	-0-	-0-	1,770	2,860	--
Total Operating Costs	\$304,496	\$283,266	\$358,018	\$339,318	18.6
Non-Operating Costs	1,794	8,286	-0-	-0-	(100.0)
Total Expenditures	<u>\$306,290</u>	<u>\$291,552</u>	<u>\$358,018</u>	<u>\$339,318</u>	<u>16.6</u>
Fund Sources					
General Fund	\$212,973	\$204,591	\$249,506	\$229,560	14.7
State Special	24,713	32,345	29,863	30,881	6.4
Federal Special	47,652	33,448	45,099	45,323	11.4
Other Funds Approp.	17,066	17,282	25,066	25,068	45.9
Proprietary Fund	<u>3,886</u>	<u>3,886</u>	<u>8,484</u>	<u>8,486</u>	<u>118.3</u>
Total Funds	<u>\$306,290</u>	<u>\$291,552</u>	<u>\$358,018</u>	<u>\$339,318</u>	<u>16.6</u>

The Centralized Services Division provides support to all other programs in the department performing administrative responsibilities including: accounting, fiscal management, payroll, purchasing, property control, and personnel.

Under the department reorganization, the Centralized Services Division added 2.5 FTE from other divisions. These FTE consist of the following positions: .25 FTE attorney and 1 FTE word processor from Environmental Management Division; .25 FTE clerk from Rural Development Bureau; and 1 FTE secretary from Plant Industry Division.

The department is consolidating all word processing functions in the Centralized Services Division to provide more efficient use of the equipment. Three positions, the word processor from Environmental Management Division, the secretary from Plant Industry Division, and the clerk from Rural Development Bureau, will be located in the Centralized Services Division and function primarily as word processors with some clerical duties in the area of typing, answering the telephone, and processing claims. The attorney will also be consolidated in the

Centralized Services Division. In the 1987 biennium, all these positions are proposed to be funded by general fund. The clerk position from Rural Development Bureau was previously one-fourth funded by federal rural rehabilitation funds. However, the Centralized Services Division will receive an increase for operations from these federal funds.

The Beginning Farmers Loan Program which had been appropriated in this division was moved to the Agricultural Development Division. Fiscal 1985 amounts reflect this change.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	8.50	8.50	0.00
Personal Services	\$238,397	\$245,357	\$(6,960)
Operating Expenses	59,359	55,365	3,994
Equipment	2,634	434	2,200
Total Operating Costs	\$300,390	\$301,156	\$ (766)
Transfers	8,279	-0-	8,279
Total Expenditures	<u>\$308,669</u>	<u>\$301,156</u>	<u>\$ 7,513</u>
<u>Funding</u>			
General Fund	\$215,174	\$212,973	\$ 2,201
State Special	29,532	24,713	4,819
Federal Revenue	42,776	42,518	258
Proprietary Fund	3,885	3,886	(1)
Other	17,302	17,066	236
Total Funds	<u>\$308,669</u>	<u>\$301,156</u>	<u>\$ 7,513</u>
<u>Additions:</u>			
Budget Amendments	-0-	<u>\$ 5,134</u>	<u>\$(5,134)</u>

In fiscal 1984, \$4,926 of Environmental Protection Agency funds were added to the Centralized Services Division as an indirect cost reimbursement. The general fund was reduced a like amount.

Current Level Adjustments

The Centralized Services Division is maintained at its current level of operations for the 1987 biennium. Fiscal 1986 includes \$19,950 for an audit. For

fiscal 1984, \$15,856 was expended for the audit. Equipment expenditures in fiscal 1986 include a microfiche reader, a calculator, and a secretary chair.

Funding for the division reflects an increase in general fund. The general fund increase is due to the addition of 2.5 FTE from other divisions.

HAIL INSURANCE

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E.	6.05	6.05	6.05	6.05	0.00
Personal Services	\$102,986	\$108,594	\$115,598	\$115,672	9.3
Operating Expense	41,182	51,894	42,415	42,216	(9.0)
Equipment	5,323	-0-	2,000	3,000	(6.0)
Inflation	-0-	-0-	1,710	2,907	--
Total Expenditures	<u>\$149,491</u>	<u>\$160,488</u>	<u>\$161,723</u>	<u>\$163,795</u>	<u>5.0</u>
Other Sources					
Other Funds	<u>\$149,491</u>	<u>\$160,488</u>	<u>\$161,723</u>	<u>\$163,795</u>	<u>5.0</u>

The Hail Insurance Unit, totally funded by participating farmers and ranchers, is responsible for administration of Montana's hail insurance laws and for offering grain growers' insurance and protection against crop loss due to hail. One percent of the gross annual levies collected from the participants goes to the counties and 2 percent to the state for administration. This unit is attached to the department for administrative purposes only.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	6.05	6.05	0.00
Personal Services	\$108,752	\$102,986	\$ 5,766
Operating Expenses	49,337	41,182	8,155
Equipment	-0-	5,323	(5,323)
Total Expenditures	<u>\$158,089</u>	<u>\$149,491</u>	<u>\$ 8,598</u>
Funding			
Other Funds	<u>\$158,089</u>	<u>\$149,491</u>	<u>\$ 8,598</u>

Actual expenditures in fiscal 1984 were less than appropriated due to a decrease in hail losses. Equipment purchased in fiscal 1984 included a computer terminal, printer, table, and calculator. This equipment was not authorized by the 1985 legislature.

Current Level Adjustments

The Hail Insurance Unit is maintained at current level for the 1987 biennium with the following changes. Printing expenses are increased \$329 to allow printing of new policy forms and rate maps required due to rate changes made by the Board of Hail Insurance. Also, travel expenses are increased \$700 to allow the administrator to attend an annual training seminar in Washington, D.C.

Equipment requiring replacement in the 1987 biennium includes one printer costing \$2,000 in fiscal 1986 and one work station costing \$3,000 in fiscal 1987. The Hail Insurance Unit currently utilizes a computer terminal for word processing, recording, and manipulating hail data.

WHEAT RESEARCH AND MARKETING UNIT

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	3.12	3.12	3.12	3.12	0.00
Personal Services	\$ 91,069	\$ 91,760	\$ 91,191	\$ 91,229	(0.2)
Operating Expense	132,249	128,289	161,304	161,308	23.8
Equipment	12,682	-0-	250	-0-	(98.0)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>7,083</u>	<u>11,764</u>	<u>--</u>
Total Operating Costs	\$ 236,000	\$220,049	\$ 259,828	\$ 264,301	14.9
Non-Operating Costs	<u>925,599</u>	<u>639,000</u>	<u>1,019,000</u>	<u>1,019,000</u>	<u>30.2</u>
Total Expenditures	<u>\$1,161,599</u>	<u>\$859,049</u>	<u>\$1,278,828</u>	<u>\$1,283,301</u>	<u>26.7</u>
<u>Fund Sources</u>					
Federal Revenue	<u>\$1,161,599</u>	<u>\$859,049</u>	<u>\$1,278,828</u>	<u>\$1,283,301</u>	<u>26.7</u>

The Wheat Research and Marketing Unit, totally funded by participating grain producers, is responsible for encouraging and promoting the development of markets for Montana wheat and barley and encouraging and promoting scientific and practical research into all phases of wheat and barley culture, production, and use. The Wheat Research and Marketing Unit is attached to the department for administrative purposes only. The department director is an ex-officio

member of the Wheat Research and Marketing Committee.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	3.12	3.12	0.00
Personal Services	\$ 91,918	\$ 91,069	\$ 849
Operating Expenses	200,671	132,249	68,422
Equipment	16,000	12,682	3,318
Total Operating Costs	\$ 308,589	\$ 236,000	\$ 72,589
Grants/Benefits	1,135,854	925,599	210,255
Total Expenditures	<u>\$1,444,443</u>	<u>\$1,161,599</u>	<u>\$282,844</u>
<u>Funding</u>			
Federal Revenue	<u>\$1,444,443</u>	<u>\$1,161,599</u>	<u>\$282,844</u>

Additional spending authority of \$621,000 was approved during fiscal 1984 through a statutory appropriation authorized under 80-11-224, MCA. Approximately \$526,000 of additional authority was spent for research and marketing grants.

Current Level Adjustments

The Wheat Research and Marketing Unit is continued at current level for the 1987 biennium with a few adjustments. Consultant services are increased \$2,264 to monitor freight rates and provide wheat publications with transportation information such as rail cost data. Promotional aids are increased \$860 to provide gifts to visitors from foreign countries and for distribution at out-of-state market promotion conferences and seminars. Gifts include pins, belt buckles, key chains, recipe books, etc. Two additional leased phone lines will be added in the 1987 biennium to expand news service. The cost increase for the additional lines is approximately \$13,000.

The budget for the 1987 biennium includes the following categories of grants.

<u>Grant Category</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
Professional Societies	\$ 365,000	\$ 365,000
Education Grants	9,200	9,200
Research	532,000	532,000
Special Projects	87,800	87,800
State Agencies	25,000	25,000
Total Grants	<u>\$1,019,000</u>	<u>\$1,019,000</u>

ENVIRONMENTAL MANAGEMENT

<u>Budget Item</u>	<u>Actual Fiscal 1984</u>	<u>Appropriated Fiscal 1985</u>	<u>---Current Level---</u>		<u>% Change 1985-87 Biennium</u>
			<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	
F.T.E	32.94	31.26	30.01	30.01	(6.5)
Personal Services	\$ 731,069	\$ 712,757	\$ 712,669	\$ 714,260	(1.1)
Operating Expense	278,239	311,023	263,287	259,094	(11.3)
Equipment	78,641	-0-	123,640	94,794	177.7
Inflation	-0-	-0-	13,611	23,544	--
Total Expenditures	<u>\$1,087,949</u>	<u>\$1,023,780</u>	<u>\$1,113,207</u>	<u>\$1,091,692</u>	<u>4.4</u>
<u>Fund Sources</u>					
General Fund	\$ 758,380	\$ 725,133	\$ 720,663	\$ 731,949	(6.9)
State Special	103,199	104,572	174,373	141,572	52.1
Federal Revenue	226,370	194,075	218,171	218,171	41.6
Total Funds	<u>\$1,087,949</u>	<u>\$1,023,780</u>	<u>\$1,113,207</u>	<u>\$1,091,692</u>	<u>4.4</u>

	<u>-----Fiscal 1986-----</u>		<u>-----Fiscal 1987-----</u>	
<u>ISSUE: Cost (Savings)</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Fund</u>
1. Laboratory Remodeling	\$80,000	\$20,000	-0-	-0-

The Environmental Management Division is responsible for administering the Montana Pesticides Act, the Insect Surveillance and Detection Act, the Noxious Plant Management Assistance Act, and the department's Chemical Analytical Laboratory. It is also responsible for providing protection, technical and consultant services to consumers and agricultural producers in the Environmental and Pest Management Program areas. The Chemical Analytical Laboratory is responsible for analysis of feeds, fertilizers, pesticides, and toxic substances.

As part of the department's reorganization, 1.25 FTE were transferred from the Environmental Management Division to the Centralized Services Division in

fiscal 1985.

State special revenues increase approximately 52 percent due to an increase in funding from the commercial feed and fertilizer earmarked accounts.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	32.94	32.94	0.00
Personal Services	\$ 714,055	\$ 723,068	\$ (9,013)
Operating Expenses	293,218	266,276	26,942
Equipment	59,600	62,323	(2,723)
Total Expenditures	<u>\$1,066,873</u>	<u>\$1,051,667</u>	<u>\$ 15,206</u>
<u>Funding</u>			
General Fund	\$ 779,651	\$ 758,380	\$ 21,271
State Special	103,322	103,199	123
Federal Revenue	183,900	190,088	(6,188)
Total Funds	<u>\$1,066,873</u>	<u>\$1,051,667</u>	<u>\$ 15,206</u>
<u>Additions</u>			
Budget Amendment	-0-	\$ 36,282	\$(36,282)

In fiscal 1984, the Environmental Management Division, through supplemental appropriation, transferred \$37,312 of 1985 federal spending authority to fiscal 1984 to complete an endrin study. The department expended \$33,793 of this in fiscal 1984. Continuation of these Environmental Protection Agency funds into fiscal 1986 was overlooked by the department since the grant period approved by Environmental Protection Agency was from October 1, 1983 through September 30, 1984. Due to this error, the 1983 legislature did not make an appropriation for these funds.

Budget amendments for the division in fiscal 1984 included three pesticide related programs.

Current Level Adjustments

The Environmental Management Division is continued at current level with the following adjustments. Contracted services were increased approximately \$1,200 each year for testing and adoption of standard laboratory methods for analysis of agricultural commodities affecting health, for additional training on highly

technical instruments, and for consultation on toxic chemicals and disposal of hazardous waste. Telephone expenses are increased in fiscal 1986 by \$1,500 for moving expenses in three offices.

Current level also provides for the purchase of four replacement vehicles in fiscal 1986 and one replacement vehicle in fiscal 1987. Various office equipment including the replacement of five typewriters, two chairs, two calculators, and three file cabinets are provided for during the 1987 biennium.

The following laboratory equipment is included for the 1987 biennium. The replacement of laboratory equipment is based on a new replacement schedule developed by the department. The replacement schedule was based on fiscal 1984 prices. The expected useful life of instruments and equipment was determined through discussions with manufacturer's, other state and federal laboratories, and the department's experience.

Feed and fertilizer funds will pay \$48,900 in fiscal 1986 and \$37,300 in fiscal 1987 for the lab equipment. The general fund will contribute \$38,000 in fiscal 1986 and \$41,800 in fiscal 1987.

<u>Lab Equipment</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
1 Atomic Absorption Spectrophometer	\$40,000	\$ -0-
1 Wiley Mill Grinder	5,300	-0-
1 Specific Ion Electrode	800	-0-
1 Hollow Cathode Lamp	2,800	-0-
1 Auto Analyzer	-0-	35,000
1 Auto Gas Chromatograph	-0-	28,000
1 Liquid Chromatograph	38,000	-0-
1 Micro Sample Mill	-0-	3,500
1 Analytical Balance	-0-	5,300
1 Evaporator	-0-	2,000
1 Refrigerator/Freezer	-0-	3,000
1 Incu-Shakes	-0-	2,300
Total	<u>\$86,900</u>	<u>\$79,100</u>

Environmental Protection Agency Funding

The current level funding for the Environmental Management Division includes \$209,621 each year of the 1987 biennium from the Environmental Protection Agency; of this amount \$100,000 annually was requested by the department to fund expenditures related to the analysis of Environmental Protection Agency submitted samples for PCB's, pentachlorophenol, and other toxic substances. The department is currently conducting toxic sample analysis for the Environmental

Protection Agency. To the extent Environmental Protection Agency funds become available they should be utilized to fund current level expenditures. According to the department, the Environmental Protection Agency has made no stipulations on the expenditures of funds other than the laboratory continue to maintain quality assurance to insure sample integrity. Environmental Protection Agency is not requiring that these funds be spent only if additional services are provided. Therefore, these funds will be used to support current level expenditures in the division.

Issue 1: Laboratory Remodeling

In fiscal 1986, the department is requesting an appropriation of \$100,000 to remodel the analytical laboratory located in Bozeman. The primary reasons for the remodeling are:

1. to improve the processing, handling, and analysis of pesticide waste and related toxic substance samples in rooms 20 and 21 while providing protection for employee health;
2. to improve and replace benches, hoods, and floor area in room 39 which is utilized for feed and fertilizer analysis, because of physical deterioration and chemical fume problems;
3. to repair the damaged floor and walls and repair room 23 which is being used as staff office space and conference room.

The funding request for the remodeling project is split \$80,000 general fund and \$20,000 feed and fertilizer funds. Federal regulations do not require this remodeling.

The department states that this remodeling project could be phased-in over a two-year period. For example, the staff/conference room could be completed in fiscal 1987. Rooms 20, 21 and 29 need to be completed in early fiscal 1986 to allow pesticide waste samples to be brought into the laboratory on a regular basis for analysis in January or February 1986.

The department's remodeling project is not included in the current level operating budget. This request should be directed to the Long-Range Building Committee for consideration.

PLANT INDUSTRY DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	37.91	37.56	28.56	28.56	(24.3)
Personal Services	\$676,431	\$ 857,204	\$660,434	\$661,141	(13.8)
Operating Expense	144,438	192,515	141,067	140,554	(16.4)
Equipment	715	14,352	19,579	39,438	291.6
Inflation	-0-	-0-	4,253	8,081	--
Total Expenditures	<u>\$821,584</u>	<u>\$1,064,071</u>	<u>\$825,333</u>	<u>\$849,214</u>	<u>(11.2)</u>
Fund Sources					
General Fund	\$455,641	\$ 485,426	\$433,928	\$445,127	(6.6)
State Special	332,095	537,846	340,024	350,512	(20.6)
Federal Revenue	10,912	1,000	7,360	7,360	23.5
Proprietary Fund	<u>22,936</u>	<u>39,799</u>	<u>44,021</u>	<u>46,215</u>	<u>43.8</u>
Total Funds	<u>\$821,584</u>	<u>\$1,064,071</u>	<u>\$825,333</u>	<u>\$849,214</u>	<u>(11.2)</u>

The Plant Industry Division consists of three bureaus: Commodity Services, Grain Standards, and Specialized Services Bureaus. The division is responsible for administration and enforcement of regulatory laws controlling marketing, production, and manufacturing of agricultural commodities. It also provides vegetable, fruit, and nursery stock inspection.

The 1987 biennium includes the reduction of 8 FTE from the Grain Laboratory located in Great Falls. The Grain Laboratory provides official grain grading and protein testing services in the state of Montana as provided for in 80-4-701, MCA, through 80-4-727, MCA. The Grain Laboratory operates on fees collected for inspecting, grading, weighing, and protein testing of grain. In fiscal 1984, revenues dropped due to various reasons--low prices for grain, changing transportation modes, farm storage, poor markets, etc. The Grain Laboratory will be operating at a minimum level through the 1987 biennium. The department is requesting language be inserted into the Appropriation Bill to allow for additional appropriation if the workload should increase.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	38.56	37.91	.65
Personal Services	\$ 860,245	\$670,383	\$189,862
Operating Expenses	182,391	140,574	41,817
Equipment	<u>9,260</u>	<u>715</u>	<u>8,545</u>
Total Expenditures	<u>\$1,051,896</u>	<u>\$811,672</u>	<u>\$240,224</u>
<u>Funding</u>			
General Fund	\$ 470,379	\$455,641	\$ 14,738
State Special	541,820	332,095	209,725
Federal Revenue	1,000	1,000	-0-
Proprietary Fund	<u>38,697</u>	<u>22,936</u>	<u>15,761</u>
Total Funds	<u>\$1,051,896</u>	<u>\$811,672</u>	<u>\$240,224</u>

In fiscal 1984, the Plant Industry Division underspent its appropriation by approximately \$224,000 primarily due to the Grain Laboratory operating at a reduced level. In addition, the Alfalfa Leaf Cutter Bee Program underspent its proprietary appropriation by approximately \$15,000. Fiscal 1984 was the first year of operation of the Alfalfa Leaf Cutter Bee Program. The position assigned to this program was not filled until February 1984. Expenditures in fiscal 1984 do not represent a full year of operations.

Current Level Adjustments

In fiscal 1985, 2 FTE were transferred to other divisions. The program reflects the deletion of 8 FTE in grain services. Overtime was increased by \$5,000 annually due to the staff reductions at the Grain Services Laboratory. The overtime is for seasonal agricultural commodity inspections.

Current level includes replacement of two vehicles in fiscal 1986 and three vehicles in fiscal 1987. Also, fiscal 1987 includes replacement of one infrared protein analyzer at a cost of \$11,200. The following office equipment is included in the current level budget: one work station, two desks, two chairs, and one file cabinet at a total cost of \$2,919.

AGRICULTURAL DEVELOPMENT DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	9.25	9.25	9.00	9.00	(2.7)
Personal Services	\$170,141	\$217,004	\$214,799	\$214,985	11.0
Operating Expense	50,725	91,444	115,245	115,257	62.1
Equipment	16,408	250	1,691	398	(87.4)
Inflation	-0-	-0-	2,245	3,946	--
Total Operating Costs	\$237,274	\$308,698	\$333,980	\$334,586	22.4
Non-Operating Costs	10,600	10,600	16,000	16,000	50.9
Total Expenditures	<u>\$247,874</u>	<u>\$319,298</u>	<u>\$349,980</u>	<u>\$350,586</u>	<u>23.5</u>
Fund Sources					
General Fund	\$ 87,210	\$ 98,324	\$ 76,567	\$ 77,662	(16.9)
State Special	7,601	29,673	36,887	37,460	99.4
Federal Revenue	48,175	38,935	37,895	38,455	(12.3)
Other Funds Approp.	51,318	53,041	65,899	65,166	25.5
Proprietary Fund	<u>53,570</u>	<u>99,325</u>	<u>132,732</u>	<u>131,843</u>	<u>73.0</u>
Total Funds	<u>\$247,874</u>	<u>\$319,298</u>	<u>\$349,980</u>	<u>\$350,586</u>	<u>23.5</u>

The Agricultural Development Division is a newly formed division for administration of Beginning Farm Loan, Crop and Livestock, Marketing, and Rural Development Programs. The division also includes the Alfalfa Seed Program.

Beginning Farm Loan Program

The Beginning Farm Loan Program is a tax-exempt loan program designed to help lenders assist beginning farmers or ranchers in Montana acquire agricultural land or depreciable agricultural property. The program provides a mechanism for financial institutions to receive tax-exempt interest with respect to loans made to beginning farmers.

Crop and Livestock

The Montana Department of Agriculture and the Statistical Reporting Services-USDA, through a cooperative agreement, are responsible for the collection and publication of statistics on Montana agriculture.

Marketing

The Marketing Program provides market research and assistance to Montana producers and those marketing agricultural products. This is done through

identification, analysis and direction in development of both foreign and domestic markets. Transportation and product movement through the state are also areas of assistance. Crop and livestock statistical reporting and grain movement data are summarized for market information purposes.

Rural Development

The Rural Development Program administers the federal rural rehabilitation funds. Funds are provided to substandard income rural Montanans for farm and ranch real estate, livestock, operations, student education and agribusiness loans, to improve the current and future agricultural credit and financial status of Montana's farmer/ranchers.

Alfalfa Seed

The Alfalfa Seed Program is responsible for the enhancement of the alfalfa seed industry by utilizing producer authorized revenue assessments collected on the sale of alfalfa seed throughout the state. The primary goal of the program is to improve the culture, production, and market development for alfalfa seed grown in Montana.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. The Beginning Farm Loan Program was established October 1, 1983. However, the program was delayed in issuing bonds pending the passage of federal legislation (HB 4170) which was designed to reduce abuse of tax exempt industrial development revenue bonds. The program expenditures were approximately \$44,000 less than the appropriation.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	9.25	9.25	0.00
Personal Services	\$222,673	\$170,141	\$52,532
Operating Expenses	74,098	50,725	23,373
Equipment	3,700	4,408	(708)
Total Operating Costs	\$300,471	\$225,274	\$75,197
Non-Operating Costs	10,600	10,600	-0-
Total Expenditures	<u>\$311,071</u>	<u>\$235,874</u>	<u>\$75,197</u>
<u>Funding</u>			
General Fund	\$ 91,903	\$ 87,210	\$ 4,693
State Special	29,819	7,601	22,218
Federal Revenue	38,935	36,175	2,760
Other Funds	52,445	53,570	(1,125)
Proprietary Fund	97,969	51,318	46,651
Total Funds	<u>\$311,071</u>	<u>\$235,874</u>	<u>\$75,197</u>

Current Level Adjustments

The major increase in operating expenditures in the newly formed Agricultural Development Division relates to the addition of the Beginning Farmers Loan Program. Bond counsel fees are included in current level at \$48,750 in fiscal 1986 and \$48,750 in fiscal 1987. The fees must be paid for each bond opinion to provide for the sale of tax-exempt bonds. Bond counsel fees were zero in fiscal 1984 as no bonds were sold.

Included in each year of the 1987 biennium is \$16,000 in grants for the Future Farmers of America Loan Program. This program is funded from payments made on previous loans, plus interest.

Equipment in current level includes office equipment costing \$1,691 in fiscal 1986 and \$398 in fiscal 1987.

Funding

State special revenue increases 99 percent in the division due to an increase in expenditures in the Alfalfa Seed Program. Proprietary fund revenues increase approximately 75 percent due to a full level of operations in the 1987 biennium of the Beginning Farmers Loan Program.

DEPARTMENT OF COMMERCE

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	251.33	\$15,064,979	\$135,428,154
LFA Current Level	233.83	14,866,502	102,423,041
Executive Over (Under) LFA	<u>17.50</u>	<u>\$ 198,477</u>	<u>\$ 33,005,113</u>

The executive budget exceeds the LFA current level budget by \$33,005,113 in the 1987 biennium, including \$198,477 in general fund. The executive budget has funded 17.5 FTE more than the LFA current level.

Issue 1: Community Development Block Grant Program

The executive budget includes approximately \$25.7 million in unexpended community development block grant authority. The unexpended grant authority is from several years grants to localities which have not been fully expended. In fiscal 1986, the executive budget includes \$11.3 million in prior year unexpended grant awards. The LFA current level assumes all grant funds will be expended in fiscal 1985 with no carryover in fiscal 1986. However, this assumption may be refined if the agency can provide information estimating the actual carryover to fiscal 1986. In fiscal 1987, the executive budget includes \$14.4 million in prior year unexpended grant authority which is also included in the fiscal 1986 appropriation request. The LFA current level does not appropriate the same funds twice in the same biennium. Due to this bookkeeping proposal, the executive budget exceeds the LFA current level by \$25.7 million in the 1987 biennium.

Issue 2: Financial Division Funding Change

The executive budget has funded the Financial Division entirely from fees collected from banks. In the past, the division has been funded from the general fund and fees charged to banks were deposited into the general fund. The fees collected covered approximately 80 percent of division costs. Legislation will need to be introduced to allow the division to recover 100 percent of its costs and retain fees rather than depositing them into the general fund. This change gives the appearance of a smaller increase in general fund to support the department in the executive budget. However, as the fees are currently deposited to the general fund, this is an illusion. The LFA current level maintains the funding of

the Financial Division from the general fund and maintains the deposit of fees into the general fund.

Issue 3: Funding the Local Government Block Grant

The executive budget includes \$28,531,000 in oil severance tax revenues in the 1987 biennium to fund the local government block grant. Due to a lower revenue estimate for oil in the 1987 biennium, the LFA current level includes \$24,736,000 to fund the local government block grant. Therefore, the executive budget includes approximately \$3.8 million more in state special revenue than the LFA current level for the local government block grant in the 1987 biennium.

Issue 4: Funding the Montana Promotion Division

The executive budget has funded the Montana Promotion Division with general fund in the 1987 biennium. However, the executive budget has also included \$700,000 annually in private contributions to support additional operations to the extent the fees are available. The LFA current level funding support for the division is based on a full contribution from the private sector--\$700,000. Based on this assumption, the general fund has been reduced in lieu of private contributions in the 1987 biennium. Due to this difference the executive budget includes approximately \$670,000 more general fund in the 1987 biennium to support the Montana Promotion Division.

Issue 5: Emergency District Court Funding

The executive budget includes \$650,000 more general fund in the 1987 biennium for emergency district courts funding. This represents an increase over the fiscal 1984 level of funding. The LFA current level maintains the emergency funds for district courts at the fiscal 1984 level of \$1,375,000 annually.

Issue 6: Executive Budget Recommended Modified Level Requests

Table 1 summarizes the recommended modified level requests in the executive budget in the 1987 biennium. These additions, totaling \$3.6 million in the 1987 biennium, are not included in the LFA current level.

Table 1
Department of Commerce
Executive Budget Recommended Modified Level Requests
1987 Biennium

<u>Additional Service</u>	- - - -FTE- - - -			1985
	<u>FY 86</u>	<u>FY 87</u>	<u>Funding</u>	<u>Biennium Cost</u>
<u>Financial Division</u>				
1. Bank Examiners	2.00	2.00	State Earmarked	\$ 126,126
<u>P.O.L. Boards</u>				
2. Receptionist/Admin.	1.00	1.00	State Earmarked	32,296
3. Office Automation	0.00	0.00	State Earmarked	72,160
4. Inspector-Cosmetologist	1.00	1.00	Cosmetology Board	68,506
5. Inspector-Electrician	1.00	1.00	Electrical Board	62,938
6. Workload Increase-Nursing	0.00	1.00	Nursing Board	31,625
<u>Aeronautics Division</u>				
7. License Airports	1.00	1.00	Aero. Earmarked	107,098
<u>Business Assistance Division</u>				
8. Bus. Support Coordinator	1.00	1.00	General Fund	108,043
<u>Housing Division</u>				
9. Home Improvement Program	1.00	1.00	Housing Authority	94,580
10. Sale Tax Exempt Bonds	2.00	2.00	Housing Authority	561,383
11. Single Family Tax Credit	2.00	2.00	Housing Authority	157,736
12. Relocate to DNRC Building	0.00	0.00	Housing Authority	17,502
13. New Rental Rehab.	1.00	1.00	MOB Rehab. Admin.	2,044,274
<u>Director/Management Services Div.</u>				
14. Workload Increase	1.50	1.50	Proprietary	80,401
15. Deputy Director	1.00	1.00	Proprietary	92,460
<u>Legal Services Division</u>				
16. Consumer Fraud	0.00	0.00	General Fund	10,400
Total	15.50 =====	16.50 =====		\$3,667,528 =====

DEPARTMENT OF COMMERCE

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	233.63	232.83	233.83	233.83	.2
Personal Service	\$ 5,618,769	\$ 6,203,842	\$ 6,302,800	\$ 6,320,269	6.7
Operating Expense	5,155,449	6,177,064	5,511,472	5,292,010	(4.6)
Equipment	183,730	82,433	105,109	64,649	(36.2)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>168,417</u>	<u>284,063</u>	<u>--</u>
Total Operating Costs	\$10,957,948	\$12,463,339	\$12,087,798	\$11,960,991	2.6
Non-Operating Costs	<u>35,990,028</u>	<u>46,590,296</u>	<u>39,025,920</u>	<u>39,348,332</u>	<u>(5.0)</u>
Total Expenditures	<u>\$46,947,976</u>	<u>\$59,053,635</u>	<u>\$51,113,718</u>	<u>\$51,309,323</u>	<u>3.3</u>
<u>Fund Sources</u>					
General Fund	\$ 9,479,624	\$ 6,574,735	\$ 7,433,299	\$ 7,433,203	(7.3)
State Special	26,269,052	30,643,930	23,940,102	24,232,648	(15.3)
Federal Revenue	9,026,616	18,904,799	16,703,869	16,694,703	(19.5)
Proprietary Fund	<u>2,172,684</u>	<u>2,930,171</u>	<u>3,036,448</u>	<u>2,948,769</u>	<u>17.2</u>
Total Funds	<u>\$46,947,976</u>	<u>\$59,053,635</u>	<u>\$51,113,718</u>	<u>\$51,309,323</u>	<u>3.3</u>

The Department of Commerce was established by Section 2-15-1801, MCA, to encourage and promote commerce-related activities in Montana through a wide spectrum of programs. Some of the programs are designed to foster stable, diversified, economic development by providing various types of assistance to businesses wishing to develop or expand within the state. An integral part of the department's mission is maintenance and development of transportation systems that will provide a cost-effective means of bringing commercial products to local, national and international markets.

FTE from fiscal 1984 to fiscal 1985 are reduced .8 due to .3 less FTE authorized in the Accounting and Management Services Division and .5 less FTE authorized in the Director/Management Services Divisions. In the 1987 biennium, 2 FTE are added to current level for the newly formed Montana Health Facility Authority. The 1983 legislature created the MHFA and authorized expenditures of \$100,000, but authorized no FTE.

BUSINESS LICENSE AND REGULATION SUPPORT PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	2.30	2.30	2.30	2.30	0.00
Personal Service	\$66,463	\$ 79,097	\$68,936	\$69,065	(5.1)
Operating Expense	10,561	22,474	11,089	9,827	(36.6)
Equipment	31	89	-0-	-0-	(100.0)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>121</u>	<u>307</u>	<u>--</u>
Total Expenditures	<u>\$77,055</u>	<u>\$101,660</u>	<u>\$80,146</u>	<u>\$79,199</u>	<u>(10.8)</u>
Fund Sources					
General Fund	\$19,917	\$ 34,730	\$22,377	\$22,100	(18.6)
State Special	<u>57,138</u>	<u>66,930</u>	<u>57,769</u>	<u>57,099</u>	<u>(7.4)</u>
Total Funds	<u>\$77,055</u>	<u>\$101,660</u>	<u>\$80,146</u>	<u>\$79,199</u>	<u>(10.8)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Elimination of the Business License and Regulation Support Program	\$(22,377)	\$(57,769)	\$(22,100)	\$(57,099)

The Business License and Regulation Support Program is responsible for executive management and support of the Weights and Measures Bureau, the Milk Control Bureau and the Professional and Occupational Licensing Bureau.

Funding for the program is split 14 percent from milk control earmarked funds, 58 percent from P.O.L. earmarked funds and 28 percent from the general fund. These splits reflect the approximate support services provided to the P.O.L. Bureau, Milk Control and Weights and Measures Bureau.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	2.30	2.30	0.00
Personal Services	\$66,329	\$66,463	\$ (134)
Operating Expenses	20,429	10,561	9,868
Equipment	89	31	58
Total Expenditures	<u>\$86,847</u>	<u>\$77,055</u>	<u>\$9,792</u>
<u>Funding</u>			
General Fund	\$19,917	\$19,917	\$ -0-
State Special	<u>66,930</u>	<u>57,138</u>	<u>9,792</u>
Total Funds	<u>\$86,847</u>	<u>\$77,055</u>	<u>\$9,792</u>

In fiscal 1984, the support division underexpended its appropriation by \$3,380 in contract services, \$1,000 in communications, \$1,000 in rent, and \$2,300 in "other" expenses.

Current Level Adjustments

The Business Licensing and Regulation Support Program is continued at current level in the 1987 biennium with the following minor adjustments. Audit costs are \$756 in fiscal 1986. The program spent \$869 in fiscal 1984. Supplies are increased \$72 annually to restock depleted supplies of paper and miscellaneous supplies. Indirect costs are \$5,925 in fiscal 1986 and \$5,357 in fiscal 1987. Indirect costs were \$5,621 in fiscal 1984.

Issue 1: Elimination of the Business License and Regulation Support Program

The Business License and Regulation Support Program provides management support to three bureaus within the department: Milk Control, P.O.L. Boards, and Weights and Measures. The support program includes 2.3 FTE: an administrator, secretary and administrative officer. However, the Weights and Measures Bureau includes a program manager, assistant administrator, and secretary. The Milk Control Bureau includes a program manager, secretary, and clerk. The P.O.L. Administration Program includes 1.75 FTE consisting of .91 FTE program manager, three administrative assistants and .15 FTE secretary. The total administrative and secretarial staff for Milk Control, P.O.L. Boards and the Weights and Measures Bureaus is detailed in Table 1. The three bureaus employ 49.49 FTE.

Table 1
Management and Administrative Support for
Milk Control, Weights and Measures, and P.O.L. Bureau

Management/Administrative Support	- - - - -FTE- - - - -	
	Fiscal '86	Fiscal '87
Business License and Regulation Support	2.30	2.30
Milk Control Bureau	3.00	3.00
P.O.L. Administration	1.75	1.75
Weights and Measures Bureau	3.00	3.00
Total	<u>10.05</u>	<u>10.05</u>

Specific division responsibilities cited by the department include the following:

- * Establishing program goals, objectives, and methods of operation.
- * Procedural matters related to ongoing functions and new problems facing the bureaus.
- * Enactment of statutory, administrative, and departmental policies and rules which involve the bureaus.
- * Personnel matters such as hiring, firing, training and employee development, and discipline.
- * Legislative and rule-making activities related to regulatory laws and bureau functions.
- * Budgetary processes involving all bureaus and boards requiring direct involvement with the administration and the legislature including testimony before legislative committees and negotiations with executive budget staff.
- * Research and direction of the reorganization effort for P.O.L. boards
- * Provision of reception and telephone answering services for all bureaus.

With the administrative staff currently within the Milk Control Bureau, Weights and Measures Bureau and the P.O.L. Administration Program, it is questionable that the additional administrative staff in the Business License and Regulation Support Program is necessary. Administrative support is also provided by the Director/Management Services Division.

The administration staff currently within the Milk Control, Weights and Measures Bureaus and the P.O.L. Administration Program currently handle

personnel matters such as hiring, firing, training, employee development, and discipline. This staff provides reception and telephone answering services. The remaining functions could be handled by the Director/Management Services Division. The Director/Management Services Division provides payroll, personnel and general management support for the department. The Director/Management Services Division has added one administrative officer in the 1985 biennium which would enhance their ability to absorb additional administrative duties.

Eliminating the Business License and Regulation Support Program would leave 7.75 FTE to provide management and administrative support for less than 50 FTE. Eliminating the support program staff would also save \$22,377 in fiscal 1986 and general fund of \$22,100 in fiscal 1987. Saving in P.O.L. administrative funds and milk control funds would total \$57,769 in fiscal 1986 and \$57,099 in fiscal 1987.

Option a: Eliminate the Business License and Regulation Support Program.

Option b: Maintain the Business License and Regulation Support Program at its current level.

Option c: Request that the department consolidate the staff of the Business License and Regulation Support Program within the Milk Control Bureau, the Weights and Measures Bureau and P.O.L. Administration Program. This option may result in an undefined amount of operating expenses savings.

WEIGHTS AND MEASURES

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	12.00	12.00	12.00	12.00	(0.0)
Personal Service	\$275,849	\$282,788	\$290,453	\$290,819	4.0
Operating Expense	124,060	132,385	118,952	113,215	(9.4)
Equipment	14,300	13,410	22,000	9,000	11.8
Inflation	-0-	-0-	2,854	5,369	--
Total Expenditures	<u>\$414,209</u>	<u>\$428,583</u>	<u>\$434,259</u>	<u>\$418,403</u>	<u>1.1</u>
<u>Fund Sources</u>					
General Fund	<u>\$414,209</u>	<u>\$428,583</u>	<u>\$434,259</u>	<u>\$418,403</u>	<u>1.1</u>

The Weights and Measures Bureau is responsible for licensing and testing all measuring and weight devices used in Montana commerce. The bureau staff are also responsible for quality control of petroleum products.

The bureau is entirely supported from the general fund. The revenue collected from license and inspection revenue is deposited in the general fund. In fiscal 1984, the program spent \$414,209 in general fund while collecting \$215,252 in revenue. For the 1987 biennium, the department is estimating collection of \$218,000 in each year of the 1987 biennium. This amount would allow the bureau to be approximately 50 percent self-supporting in the 1987 biennium based on the current level of operations. However, the Governor's Council on Management (October 1982) recommended that bureau revenues generate approximately 70 percent cost recovery. To increase revenues the legislature may want to increase fees.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	12.00	12.00	0.00
Personal Services	\$283,384	\$275,849	\$ 7,535
Operating Expenses	133,050	124,060	8,990
Equipment	20,382	14,300	6,082
Total Expenditures	<u>\$436,816</u>	<u>\$414,209</u>	<u>\$22,607</u>
<u>Funding</u>			
General Fund	<u>\$436,816</u>	<u>\$414,209</u>	<u>\$22,607</u>

In fiscal 1984, the Weights and Measures Division underspent its appropriation in personal services, operating expenses and equipment due primarily to the vacancy of one inspector in eastern Montana.

Current Level Adjustments

Operations are continued at current level with the following exceptions: Audit costs are included in fiscal 1986 for \$3,591. The cost of updating the bureau's regulations is increased \$95. Rent is increased approximately \$2,000 for the laboratory and shop used for calibration and maintenance of equipment. Indirect costs are \$24,964 in fiscal 1986 and \$22,559 in fiscal 1987. Indirect costs were \$23,457 in fiscal 1984.

Equipment replaced in the 1987 biennium includes one 2 1/2-ton truck for \$22,000 in fiscal 1986 and one 3/4-ton truck for \$9,000 in fiscal 1987.

FINANCIAL DIVISION

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	19.00	19.00	19.00	19.00	(0.0)
Personal Service	\$482,152	\$494,741	\$520,653	\$521,302	6.6
Operating Expense	174,416	184,863	182,995	173,157	(0.9)
Equipment	980	910	832	550	(26.8)
Inflation	-0-	-0-	3,013	5,288	--
Total Expenditures	<u>\$657,548</u>	<u>\$680,514</u>	<u>\$707,493</u>	<u>\$700,297</u>	<u>5.2</u>
<u>Fund Sources</u>					
General Fund	<u>\$657,548</u>	<u>\$680,514</u>	<u>\$707,493</u>	<u>\$700,297</u>	<u>5.2</u>

The Financial Division consists of the State Banking Board and Department of Commerce staff who are responsible for chartering, licensing, supervising, and examining state banks, savings and loan associations, credit unions, consumer loan licenses, and sales finance companies. The division seeks to prevent loss resulting from mismanagement or insolvency of state financial organizations.

The Financial Division collects license and examination fees from financial institutions. In fiscal 1984, the division collected \$465,110. These funds are deposited in the general fund. Revenue collected in fiscal 1984 was less than the \$657,548 spent to operate the division.

The 1983 legislature passed House Bill 701 which allows the bank examination fees to be raised by administrative rule. If the division is to be self-supporting in the 1987 biennium, fees will have to be increased. Based on current revenue projections and estimated operating expenditures, the division would be 82 percent self-supporting in fiscal 1986 and 84 percent self-supporting in fiscal 1987.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	19.00	19.00	0.00
Personal Services	\$495,654	\$482,152	\$13,502
Operating Expenses	185,942	174,416	11,526
Equipment	2,010	980	1030
Total Expenditures	<u>\$683,606</u>	<u>\$657,548</u>	<u>\$26,058</u>
<u>Funding</u>			
General Fund	<u>\$683,606</u>	<u>\$657,548</u>	<u>\$26,058</u>

In fiscal 1984, the Financial Division underspent its personal services, operating and equipment appropriations by approximately \$26,000. This underexpenditure relates to two bank examiner positions filled only 50 percent of the year.

Current Level Adjustments

The Financial Division is continued at current level in the 1987 biennium with the following adjustments: Audit costs are \$5,544 in fiscal 1986. In fiscal 1984 audit costs were \$3,448. Indirect costs are \$44,750 in fiscal 1986 and \$40,438 in fiscal 1987. Indirect costs were \$40,981 in fiscal 1984. Office equipment is included at \$832 in fiscal 1986 and \$550 in fiscal 1987.

MILK CONTROL BUREAU

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>---Current Level---</u>		<u>% Change</u> <u>1985-87</u> <u>Biennium</u>
	<u>Fiscal</u> <u>1984</u>	<u>Fiscal</u> <u>1985</u>	<u>Fiscal</u> <u>1986</u>	<u>Fiscal</u> <u>1987</u>	
F.T.E.	8.00	8.00	8.00	8.00	(0.0)
Personal Service	\$173,658	\$180,646	\$181,256	\$181,670	2.4
Operating Expense	70,835	83,566	73,504	69,686	(7.2)
Equipment	183	108	-0-	-0-	(100.0)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>2,417</u>	<u>4,336</u>	<u>--</u>
Total Expenditures	<u>\$244,676</u>	<u>\$264,320</u>	<u>\$257,177</u>	<u>\$255,692</u>	<u>0.7</u>
<u>Fund Sources</u>					
State Special	<u>\$244,676</u>	<u>\$264,320</u>	<u>\$257,177</u>	<u>\$255,692</u>	<u>0.7</u>

The Milk Control Bureau is responsible for regulating the milk industry by setting minimum milk prices, eliminating unfair trade practices and establishing policy that promotes and protects public welfare by guaranteeing an adequate supply of wholesome milk. The bureau also regulates the production, transportation, processing and storage of milk.

Funding for the Milk Control Bureau is from revenue collected from assessments on all milk sold. Montana law requires that the department set the assessment commensurate with the cost of administering the milk control law. Currently, the assessment is 8 cents per hundred weight. This assessment level will be adequate to maintain the Milk Control Bureau at current level in the 1987 biennium. The department is requesting an increase to 9 cents per hundred weight for the 1987 biennium. However, this increase is only necessary if an increased level of operations is authorized for the bureau.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	8.00	8.00	0.00
Personal Services	\$180,906	\$173,658	\$ 7,248
Operating Expenses	80,903	70,835	10,068
Equipment	108	183	(75)
Total Expenditures	<u>\$261,917</u>	<u>\$244,676</u>	<u>\$17,241</u>
<u>Funding</u>			
State Special	<u>\$261,917</u>	<u>\$244,676</u>	<u>\$17,241</u>

In fiscal 1984, the Milk Control Bureau underspent its personal services budget due to two positions being vacant a portion of the year. The bureau also underexpended its appropriation by approximately \$1,000 in supplies, \$5,000 in travel and \$4,000 in other expenditures in fiscal 1984.

Current Level Adjustments

The Milk Control Bureau is continued at current level in the 1987 biennium. Audit cost will be \$2,331 in fiscal 1986. Indirect costs are \$15,579 in fiscal 1986 and \$14,092 in fiscal 1987. Indirect costs were \$14,760 in fiscal 1984.

PROFESSIONAL AND OCCUPATIONAL LICENSING BUREAU

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E.	35.49	35.49	35.49	35.49	(0.0)
Personal Service	\$ 824,591	\$ 836,200	\$ 923,610	\$ 930,071	11.6
Operating Expense	864,089	930,252	912,376	882,796	(0.0)
Equipment	12,464	2,885	10,019	9,299	25.8
Inflation	-0-	-0-	32,388	56,774	--
Total Operating Costs	\$1,701,144	\$1,769,337	\$1,878,393	\$1,878,940	8.2
Non-Operating Costs	1,500	252,515	1,500	1,500	(98.8)
Total Expenditures	<u>\$1,702,644</u>	<u>\$2,021,852</u>	<u>\$1,879,893</u>	<u>\$1,880,440</u>	<u>0.9</u>
Fund Sources					
State Special	<u>\$1,702,644</u>	<u>\$2,021,852</u>	<u>\$1,879,893</u>	<u>\$1,880,440</u>	<u>0.9</u>

The Professional and Occupational Licensing Bureau is designed to provide the administrative and clerical services required by the 30 professional licensing boards. Services provided by the bureau include correspondence, application processing, issuing licenses, renewing licenses, monitoring continuing education, investigating complaints, administering and grading examinations, taking minutes of board meetings, and maintaining board records.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	35.49	35.49	0.00
Personal Services	\$ 835,496	\$ 824,591	\$ 10,905
Operating Expenses	876,745	864,089	12,656
Equipment	6,985	12,464	(5,479)
Total Operating Costs	\$1,719,226	\$1,701,144	\$ 18,082
Grants	3,500	1,500	2,000
Transfers	236,288	-0-	236,288
Total Expenditures	<u>\$1,959,014</u>	<u>\$1,702,644</u>	<u>\$256,370</u>
Funding			
General Fund	<u>\$1,959,014</u>	<u>\$1,702,644</u>	<u>\$256,370</u>

Current Level Adjustments

The 1983 legislature authorized an increased operating level for the P.O.L. Bureau in the 1985 biennium as requested by the department. The level of authority approved by the 1983 legislature brought the bureau to a realistic operating level according to the Office of Budget and Program Planning.

In the 1987 biennium the P.O.L. Bureau is maintained at current level. No expansion requests are included. Adjustments have been made to indirect costs which pay administrative costs of the department. In the P.O.L. Administration Bureau, indirect costs are \$79,384 in fiscal 1986 and \$72,146 in fiscal 1987. Indirect costs were \$69,822 in fiscal 1984.

Table 2 shows the level of operations for each board from the 1985 biennium through the 1987 biennium.

Table 2
Professional and Occupational Licensing Boards

	Actual FY '84	Appropriated FY '85	---Current Level--- FY '86	FY '87
Administration	\$ 165,469	\$ 182,121	\$ 183,651	\$ 169,221
Polygraph Licensing	1,465	3,000	1,471	1,492
Architects	35,253	43,784	35,542	36,890
Athletics	6,237	9,884	7,059	7,149
Barbers	20,615	22,845	25,357	25,333
Chiropractors	11,845	16,918	11,982	11,352
Cosmetologists	109,479	124,119	114,120	114,335
Dentistry	41,509	51,781	44,139	45,147
Electrical	62,069	70,815	74,031	74,036
Hearing Aid Dispensers	5,983	5,181	6,407	6,491
Horse Racing	249,397	294,057	274,117	275,240
Medical Examiners	107,180	123,256	104,162	105,627
Morticians	14,472	14,779	14,746	14,944
Nursing	161,053	193,614	168,361	168,069
Nursing Home Adm.	14,260	16,031	18,353	19,627
Optometrists	17,036	19,260	16,675	17,313
Pharmacists	89,099	107,083	97,776	97,971
Plumbers	71,731	68,006	75,337	76,161
Prof. Engineers/Surveyors	81,546	94,790	94,447	95,048
Public Accountants	103,476	133,081	114,610	116,363
Real Estate	220,028	265,722	265,155	266,913
Veterinarians	18,233	27,578	19,936	20,605
Water Well Contractors	18,203	27,535	26,401	26,497
Psychologists	9,123	14,149	10,539	10,700
Sanitarians	3,339	3,474	3,661	3,920
Private Investigators	23,907	31,710	27,830	28,127
Landscape Architects	7,333	6,750	7,296	7,597
Speech Pathologists	5,971	13,921	5,930	5,966
Radiologic Technologists	12,860	19,545	12,953	13,665
Social Workers	3,985	3,300	6,875	6,926
Physical Therapists	10,488	13,763	10,974	11,715
Total	<u>\$1,702,644</u>	<u>\$2,021,852</u>	<u>\$1,879,893</u>	<u>\$1,880,440</u>

AERONAUTICS DIVISION

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	12.84	12.84	12.84	12.84	(0.0)
Personal Service	\$338,238	\$333,158	\$338,557	\$339,129	0.9
Operating Expense	263,374	328,043	257,112	250,747	(14.1)
Equipment	50,834	45,400	48,200	33,200	(15.4)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>11,477</u>	<u>18,223</u>	<u>--</u>
Total Operating Costs	\$652,446	\$706,601	\$655,346	\$641,299	(4.5)
Non-Operating Costs	<u>50,940</u>	<u>73,000</u>	<u>16,500</u>	<u>16,500</u>	<u>(73.3)</u>
Total Expenditures	<u>\$703,386</u>	<u>\$779,601</u>	<u>\$671,846</u>	<u>\$657,799</u>	<u>(10.3)</u>
<u>Fund Sources</u>					
State Special	\$631,645	\$689,085	\$584,508	\$572,339	(12.4)
Proprietary Fund	<u>71,741</u>	<u>90,516</u>	<u>87,338</u>	<u>85,460</u>	<u>6.4</u>
Total Funds	<u>\$703,386</u>	<u>\$779,601</u>	<u>\$671,846</u>	<u>\$657,799</u>	<u>(10.3)</u>

The Aeronautics Division consists of the Aeronautics Board and two bureaus: Airport/Airways and Safety and Education. The Aeronautics Board is attached to the department for administrative purposes. The Airport/Airways Bureau is responsible for providing technical and financial assistance to communities in airport development, navigational aid development, communications, aviation safety and airport planning. Bureau staff operate and maintain the state-owned system of airports, navigational aids and communications facilities. The Safety and Education Bureau enforces state law on pilot and aircraft registration, provides search and rescue for lost aircraft and aids the aviation community and education systems.

The Aeronautics Division is funded by a 1 cent per gallon tax on aviation fuel, license and registration fees, and income from state-owned airports.

Aviation Fuel Tax Increase

The Aeronautics Division is proposing that the current 1 cent per gallon tax on aviation fuel be increased to 2 cents per gallon in the 1987 biennium. An increase of 1 cent per gallon would raise an additional \$321,000 annually. The division states that it cannot maintain current level operations with existing revenues. The division's current level request for the 1987 biennium decreases 1.4

percent compared to the 1985 biennium. Table 3 shows the department's projection of the Aeronautics Division state special revenue fund. Expenditures are at Legislative Fiscal Analyst current level through fiscal 1987. As the table illustrates, by utilizing the balance this account would remain solvent through the 1987 biennium without an increase in the aviation fuel tax. However, if the division's budget request is approved by the 1985 legislature, this account may show a deficit by the end of fiscal 1987. In this case, a tax increase may be necessary in fiscal 1987.

Table 3
Aeronautics Division State Special Revenue Account
Agency Current Level Budget Request Fiscal 1984-1987

	<u>Fiscal '84</u>	<u>Fiscal '85</u>	<u>Fiscal '86</u>	<u>Fiscal '87</u>
Beginning Balance	\$ 499,237	\$426,266	\$242,181	\$149,673
Revenue	<u>560,027</u>	<u>505,000</u>	<u>492,000</u>	<u>472,500</u>
Funds Available	\$1,059,264	\$931,266	\$734,181	\$622,173
Expenditures	<u>632,998</u>	<u>689,085</u>	<u>584,508</u>	<u>572,339</u>
Ending Balance	<u>\$ 426,266</u>	<u>\$242,181</u>	<u>\$149,673</u>	<u>\$ 49,834</u>

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	12.84	12.84	0.00
Personal Services	\$333,887	\$338,238	\$ (4,351)
Operating Expenses	308,385	263,374	45,011
Equipment	<u>84,366</u>	<u>50,834</u>	<u>33,532</u>
Total Operating Costs	\$726,638	\$652,446	\$ 74,192
Local Assistance	39,000	40,000	(1,000)
Grants/Benefits	<u>34,000</u>	<u>10,940</u>	<u>23,060</u>
Total Expenditures	<u>\$799,638</u>	<u>\$703,386</u>	<u>\$ 96,252</u>
<u>Funding</u>			
State Special	\$714,245	\$631,645	\$ 82,600
Proprietary Fund	<u>85,393</u>	<u>71,741</u>	<u>13,652</u>
Total Funds	<u>\$799,638</u>	<u>\$703,386</u>	<u>\$ 96,252</u>

In fiscal 1984, the Aeronautics Division spent less than budgeted for equipment by approximately \$33,000. In addition, grants for airport development and planning were less than appropriated by approximately \$23,000.

Current Level Adjustments

Current level includes \$5,400 annual per diem for the Aeronautics Board in the 1987 biennium.

Audit costs are \$3,780 in fiscal 1986. Audit costs were \$2,389 in fiscal 1984. Indirect costs are \$29,099 in fiscal 1986 and \$26,306 in fiscal 1987. Indirect costs were \$41,171 in fiscal 1984.

Equipment in the 1987 biennium includes: one 4x4 vehicle with special utility box - \$16,000; data processing software - \$1,000; transmitters - \$4,400; statewide electronic air-navigation system - \$40,000; and air-to-ground communications network - \$20,000.

TRANSPORTATION DIVISION

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	15.91	16.00	15.00	15.00	(5.9)
Personal Service	\$ 438,384	\$ 479,121	\$ 447,487	\$ 448,287	(2.3)
Operating Expense	352,678	277,549	189,370	181,287	(41.2)
Equipment	14,386	489	2,336	380	(81.7)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>3,614</u>	<u>6,527</u>	--
Total Operating Costs	\$ 805,448	\$ 757,159	\$ 642,807	\$ 636,481	(18.1)
Non-Operating Costs	<u>748,691</u>	<u>5,056,000</u>	<u>2,596,408</u>	<u>2,588,484</u>	(10.6)
Total Expenditures	<u>\$1,554,139</u>	<u>\$5,813,159</u>	<u>\$3,239,215</u>	<u>\$3,224,965</u>	(12.2)
<u>Fund Sources</u>					
General Fund	\$ 564,544	\$ 389,926	\$ 372,856	\$ 366,531	(22.5)
State Special	75,000	75,000	75,000	75,000	(0.0)
Federal Revenue	<u>914,595</u>	<u>5,348,233</u>	<u>2,791,359</u>	<u>2,783,434</u>	(10.9)
Total Funds	<u>\$1,554,139</u>	<u>\$5,813,159</u>	<u>\$3,239,215</u>	<u>\$3,224,965</u>	(12.2)

The Transportation Division is responsible for the improvement of Montana's transportation system. The division provides technical, legal, planning, and financial assistance to the transportation users, providers and local governments. The division staff also provide rate analysis and development of cost models to assess changes in transportation rates and systems.

The Transportation Division administers rail rehabilitation grant funds, Urban Mass Transit Assistance (UMTA) funds and Wheat Research and Marketing funds.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	16.00	15.91	.09
Personal Services	\$ 478,781	\$ 438,384	\$ 40,397
Operating Expenses	294,131	352,678	(58,547)
Equipment	9,422	14,386	(4,964)
Total Operating Costs	\$ 782,334	\$ 805,448	\$ (23,114)
Non-Operating Costs	4,156,000	748,691	3,407,309
Total Expenditures	<u>\$4,938,334</u>	<u>\$1,554,139</u>	<u>\$3,384,195</u>
<u>Funding</u>			
General Fund	\$ 386,534	\$ 564,544	\$ (178,010)
State Special	75,000	75,000	-0-
Federal Revenue	4,476,800	914,595	3,562,205
Total Funds	<u>\$4,938,334</u>	<u>\$1,554,139</u>	<u>\$3,384,195</u>

In fiscal 1984, the Transportation Division was authorized an additional \$249,982 general fund. This amount consisted of \$64,682 in general fund authorized by Budget Amendment 815 to conduct an abandoned railroad line study and \$185,300 in general fund transferred from the department's fiscal 1985 Transportation Division budget to pay legal costs associated with lawsuit against Burlington Northern. The suit was settled out of court for \$11.5 million which will be used by the state to rehabilitate the Geraldine-Denton branchline construction of the Moore-Sipple connection to the main line and repayment of federal loans granted by the state to Burlington Northern. The department will request a supplemental appropriation from the 1985 legislature to make up the general fund transfer of 1985 general fund. The additional general fund expenditures of \$178,010 in fiscal 1984 were made under the authority transferred from fiscal 1985.

Grants expended in fiscal 1984 were substantially less than authorized by the 1983 legislature. This was due in large part to a dramatic reduction by Congress

in anticipated federal revenues. Also, project timing did not permit full expenditure in fiscal 1984.

In fiscal 1984, the Management Service Division used .09 FTE from this division to add an administrative officer. The full FTE has been returned to the division and will be occupied as a railroad operations officer.

Current Level Adjustments

One position has been reclassified from a Planning Manager II grade 17, step 2 to a Civil Engineer IV grade 15, step 2. The 1987 biennium reflects this change. One position authorized in House Bill 815 for the 1985 biennium has been removed from the 1987 biennium current level.

Operating expenses were adjusted to remove the expenditures relating to the Burlington Northern lawsuit, House Bill 815 and the maritime study. This reduced the operating expense base by \$191,557, the fiscal 1984 operating expenditure for these programs. Further adjustments to operating expenditures are listed in the following paragraphs.

Printing is increased \$1,053 to handle an increased number of documents including the state rail plan, legal briefs, abandonment applications, and public transportation manuals.

Legal fees and court costs are included at \$10,000 annually to provide private, legal expertise in railroad abandonment issues and McCarty Farms/Staggers Act cases. In addition, \$15,000 annually is included to contract with a Washington, D.C. based legal firm to keep the department informed on current issues related to federal transportation agencies and to represent the department at biweekly meetings regarding the grain subterminal lawsuit and rail abandonment cases in Montana.

Audit costs are \$4,410 in fiscal 1986. Audit costs were \$2,878 in fiscal 1984. Indirect costs are \$38,461 in fiscal 1986 and \$34,774 in fiscal 1987. Indirect costs in fiscal 1984 were \$41,171.

Photography supplies are increased approximately \$400 due to additional costs for maps and tables associated with the Highway Impact Study and the annual rail plan document.

Maintenance costs are increased approximately \$500 for the division's personal computer.

Equipment in fiscal 1986 includes \$620 to purchase surveying equipment and \$1,716 for office equipment. Fiscal 1987 includes \$380 for office equipment.

Grants for the 1987 biennium are included in Table 4.

Table 4
Transportation Division Grants
1987 Biennium

<u>Grant</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
1. Urban Mass Transportation Section 8 pass through funds for planning.	\$ 60,000	\$ 60,000
2. Urban Mass Transportation Section 16(b)(2) pass through funds for vehicles for elderly and handicapped transportation.	185,000	185,000
3. Urban Mass Transportation Section 18 pass through funds for vehicles and operating subsidy for non-urbanized/ rural areas	500,000	500,000
4. Communities' share of the equipment purchase. UMTA capital assistance grants require a local match of 20% and operating assistance grants require a local match of 50%.	120,000	120,000
5. State law authorizes \$75,000 to be allocated through the Department of Commerce to city public transit systems.	75,000	75,000
6. Rail rehabilitation or improvement to Facilities, plus repayment of loans	<u>1,656,408</u>	<u>1,648,484</u>
Total Grants	<u>\$2,596,408</u>	<u>\$2,588,484</u>
State Special Revenue	\$ 75,000	\$ 75,000
Federal Revenue	<u>2,521,408</u>	<u>2,513,484</u>
Total Grants	<u>\$2,596,408</u>	<u>\$2,588,484</u>

BUSINESS ASSISTANCE

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	9.00	10.00	10.00	10.00	5.2
Personal Service	\$264,383	\$328,984	\$314,317	\$314,943	6.0
Operating Expense	340,443	493,651	522,735	517,504	24.7
Equipment	12,475	114	5,000	5,000	(20.5)
Inflation	-0-	-0-	4,427	7,679	--
Total Operating Costs	\$617,301	\$822,749	\$846,479	\$845,126	17.4
Non-Operating Costs	63,094	164,770	-0-	-0-	(100.0)
Total Expenditures	<u>\$680,395</u>	<u>\$987,519</u>	<u>\$846,479</u>	<u>\$845,126</u>	<u>1.4</u>
<u>Fund Sources</u>					
General Fund	\$648,562	\$987,519	\$844,979	\$843,626	3.2
Federal Revenue	31,833	-0-	1,500	1,500	(90.5)
Total Funds	<u>\$680,395</u>	<u>\$987,519</u>	<u>\$846,479</u>	<u>\$845,126</u>	<u>1.4</u>

The Business Assistance Program is responsible for assisting new and existing small businesses. Services include business development assistance, product marketing, international trade, financial packaging, business recruitment, federal contract procurement, licensing assistance, and assistance to local economic development organizations. Funding for this program is derived from general fund revenues.

The Business Assistance Program was created by the 1983 legislature (House Bill 1) and was authorized to begin July 1983. Because of the start-up nature of the program, expenditures for fiscal 1984 are not reflective of ongoing operation costs. Therefore, several operating expenditures have been adjusted upward to reflect a full level of operations.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	11.33	9.00	2.33
Personal Services	\$255,684	\$264,383	\$(8,699)
Operating Expenses	354,082	340,443	13,639
Equipment	7,614	12,475	(4,861)
Total Operating Costs	\$617,380	\$617,301	\$ 79
Non-Operating Costs	63,094	63,094	-0-
Total Expenditures	<u>\$680,474</u>	<u>\$680,395</u>	<u>\$ 79</u>
<u>Funding</u>			
General Fund	\$648,641	\$648,562	\$ 79
Federal Revenue	31,833	31,833	-0-
Total Funds	<u>\$680,474</u>	<u>\$680,395</u>	<u>\$ 79</u>

In fiscal 1984, with the exception of the Product Promotion and University Business Development Programs, the Business Promotion Program operated at less than full operations as time was needed to create, advertise and fill staff positions, develop and submit contract proposals, and design and implement programs. Because of the start-up nature of fiscal 1984, expenditures were less than appropriated. Table 5 shows a comparison of division general fund appropriations and expenditures for fiscal 1984.

Table 5
Business Assistance Division
General Fund Appropriations/Expenditures Comparison
1985 and 1987 Biennium

<u>Program</u>	<u>Fiscal 1985 Appropriation</u>	<u>Fiscal 1984 Actual</u>
Business Assistance (HB 447)	\$ 268,515 ¹	\$268,436
Product Promotion (HB 1)	100,000 ¹	92,801
University Business Management (HB 1)	100,000 ¹	50,000
Assistance to Local Development Organ. (HB 1)	400,000 ¹	124,480
Business Development Assistance (HB 1)	400,000 ¹	112,845
Business Location Promotion (HB 1)	150,000 ¹	-0-
Total	<u>\$1,418,515</u>	<u>\$648,562</u>

¹ Biennial Appropriation.

In fiscal 1984, 2.33 FTE were transferred from the Business Assistance Program to the Community Assistance Program. Positions transferred included an economist, administrative secretary and planning manager. The economist and administrative secretary were vacant positions which had been utilized under the old Economic and Community Development Division. The planning manager (.37 FTE) served in the Development Bureau of the old division. This transfer will consolidate this position in the Community Assistance Program. The other two positions will be dedicated to clerical positions in the Community Assistance Program. Also, \$47,782 in general fund was added to this program from the Economic Policy and Research Division as part of the departmental reorganization.

Current Level Adjustments

Table 6 shows a summary of all programs in the Business Assistance Division for the 1987 biennium. Table 6 includes both general fund and federal fund expenditures in fiscal 1984.

Table 6
Business Assistance Division
1987 Biennium

<u>Program</u>	<u>FY 84</u>	<u>FY 86</u>	<u>FY 87</u>
Business Location Promotion	\$ 80,883	\$223,118	\$222,796
Marketing Assistance	73,787	140,417	140,184
Business Development Assistance/Admin.	107,138	114,464	114,274
Local Development Organization Assistance	142,673	145,658	145,417
Small Business Advocate	127,263	94,598	94,441
International Export Assistance	52,813	82,678	82,540
Development Finance Program	26,744	44,046	43,974
Federal Economic Development Grants/Admin.	63,094	-0-	-0-
49th Parallel Institute	6,000	-0-	-0-
Manufacturers Directory	-0-	1,500	1,500
Total	<u>\$680,395</u>	<u>\$846,479</u>	<u>\$845,126</u>

One FTE is added to the Business Assistance Program from the Montana Promotion Division in fiscal 1985. The position transferred was a vacant administrative officer. Functions of that position were not needed in the new Montana Promotion Division. This position will be working in Business Recruitment/Product Promotion.

Operating expenses increase 25 percent from the 1985 through the 1987 biennium. This increase is due primarily to consolidating expenditures formerly spent as grants in the 1985 biennium. In fiscal 1985, \$164,770 was authorized in grants primarily for assisting individual businesses through contracts for professional assistance and training. For the 1987, biennium these expenditures will be moved from the grants category to the contract services category because these expenditures are not in the nature of grants. Due to this change, contract services will increase approximately \$165,000 from fiscal 1984.

Other operating expenses are continued at current level during the 1987 biennium. Indirect costs are \$27,015 in fiscal 1986 and \$24,430 in fiscal 1987. Indirect costs were \$21,344 in fiscal 1984.

Funding in the 1987 biennium is general fund and \$1,500 collected annually from the sale of the Montana Manufacturers Directory. In fiscal 1984, \$31,833 in federal Economic Development funds were carried-over from fiscal 1983 to support the program. These funds are no longer available.

MONTANA PROMOTION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	12.00	11.00	11.00	11.00	(4.3)
Personal Service	\$ 246,914	\$ 278,054	\$ 252,102	\$ 252,502	(3.8)
Operating Expense	1,306,603	1,696,483	1,294,405	1,288,744	(13.9)
Equipment	5,486	129	-0-	-0-	(100.0)
Inflation	-0-	-0-	77,076	126,340	--
Total Expenditures	<u>\$1,559,003</u>	<u>\$1,974,666</u>	<u>\$1,623,583</u>	<u>\$1,667,586</u>	<u>(6.8)</u>
Fund Sources					
General Fund	\$1,265,994	\$1,274,666	\$ 923,583	\$ 967,586	(25.5)
Federal Revenue	<u>293,009</u>	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	<u>40.9</u>
Total Funds	<u>\$1,559,003</u>	<u>\$1,974,666</u>	<u>\$1,623,583</u>	<u>\$1,667,586</u>	<u>(6.8)</u>

The Travel Promotion Program is responsible for promoting the state of Montana as a vacation destination nationally and internationally through advertising, publications, publicity, exhibiting, direct contact with tour operators, and motion picture location promotion. The goal of the Travel Promotion Program is economic development through increased non-resident visitor expenditures and revenues.

Funding for the Travel Promotion Program is from general fund and private sector contributions, primarily from the tourism industry. In fiscal 1984, \$316,248 was collected from the private sector. However, only \$293,009 was spent. The amount spent was well short of the \$700,000 authorized by the legislature.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	12.00	12.00	0.00
Personal Services	\$ 260,098	\$ 246,914	\$ 13,184
Operating Expenses	1,701,067	1,306,603	394,464
Equipment	4,829	5,486	(657)
Total Expenditures	<u>\$1,965,994</u>	<u>\$1,559,003</u>	<u>\$406,991</u>
<u>Funding</u>			
General Fund	\$1,265,994	\$1,265,994	\$ -0-
State Special	<u>700,000</u>	<u>293,009</u>	<u>406,991</u>
Total Funds	<u>\$1,965,994</u>	<u>\$1,559,003</u>	<u>\$406,991</u>

In fiscal 1984, the Montana Promotion Program underspent its appropriation by approximately \$406,991, which was due to the lack of private contributions collected by the department from the tourism industry. The lack of these private funds reduced the number of promotional activities carried out by the program.

Current Level Adjustments

One FTE has been transferred from the Montana Promotion Program to the Business Assistance Program for the 1987 biennium. This FTE will be working in Business Recruitment/Product Promotion.

Overtime costs are included in the 1987 biennium. Each year of the biennium includes \$6,310 to enter data on travel inquires and "invite-a-friend" requests during peak times of February, March and April. In fiscal 1984, \$6,310 was spent in overtime costs for this purpose.

Contract services in the 1987 biennium include \$30,000 annually to design ten promotional publications and \$6,000 annually for advertising studies. The 1984 level of national advertising of \$728,000 annually is included in the division for the 1987 biennium.

Audit costs are \$3,591 in fiscal 1986. Audit costs were \$1,167 in fiscal 1984. Indirect costs are \$21,668 in fiscal 1986 and \$19,587 in fiscal 1987. Indirect costs were \$20,981 in fiscal 1984. All other expenditures are continued at current level for the 1987 biennium.

Funding to support current level in the Montana Promotion Division is based on a full contribution from the private sector (\$700,000). Based on this assumption, general fund has been reduced in lieu of private contributions in the 1987 biennium.

HOUSING DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	15.00	15.00	15.00	15.00	(0.0)
Personal Service	\$ 369,217	\$ 376,680	\$ 386,621	\$ 386,913	3.7
Operating Expense	433,757	539,748	575,765	554,606	16.1
Equipment	6,092	12,415	1,454	1,454	(84.2)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>5,564</u>	<u>9,021</u>	--
Total Operating Costs	\$ 809,066	\$ 928,843	\$ 969,404	\$ 951,994	10.6
Non-Operating Costs	<u>4,524,082</u>	<u>6,083,446</u>	<u>6,698,808</u>	<u>6,698,808</u>	26.3
Total Expenditures	<u>\$5,333,148</u>	<u>\$7,012,289</u>	<u>\$7,668,212</u>	<u>\$7,650,802</u>	24.0
Fund Sources					
Federal Revenue	\$4,743,534	\$6,354,813	\$6,918,095	\$6,916,413	24.6
Proprietary Fund	<u>589,614</u>	<u>657,476</u>	<u>750,117</u>	<u>734,389</u>	19.0
Total Funds	<u>\$5,333,148</u>	<u>\$7,012,289</u>	<u>\$7,668,212</u>	<u>\$7,650,802</u>	24.0

The Housing Division is responsible for administering the State Housing Act of 1975, the Federal Section 8 Housing Program, and the Federal Housing Block Grant. The Board of Housing issues bonds and uses the proceeds to purchase low interest mortgage loans from approved lenders. The loans are made to qualified persons of lower income. Proceeds also provide below market interest rate loans to qualified multi-family project sponsors for construction or rehabilitation of rental units.

The Section 8 Housing Program is responsible for administering two contracts between the Department of Commerce and the Department of Housing and Urban Development, one for Section 8 Existing Housing and one for Section 8 Moderate-Rehabilitation. The purpose of the Section 8 Existing Program is to

provide rental assistance for low and very-low income families; including elderly, disabled and handicapped families, in existing rental units which meet Housing Quality standards. The purpose of the Section 8 Moderate Rehabilitation program is to rehabilitate substandard housing units and then provide rental assistance for low and very-low income families.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	15.00	15.00	0.00
Personal Services	\$ 377,326	\$ 369,217	\$ 8,109
Operating Expenses	522,736	433,757	88,979
Equipment	4,162	6,092	(1,930)
Total Operating Costs	\$ 904,224	\$ 809,066	\$ 95,158
Non-Operating Costs	6,096,585	4,524,082	1,572,503
Total Expenditures	<u>\$7,000,809</u>	<u>\$5,333,148</u>	<u>\$1,667,661</u>
<u>Funding</u>			
Federal Revenue	\$6,353,035	\$4,743,534	\$1,609,501
Proprietary Fund	647,774	589,614	58,160
Total Funds	<u>\$7,000,809</u>	<u>\$5,333,148</u>	<u>\$1,667,661</u>

In fiscal 1984, the Housing Division underspent its appropriation by approximately \$1.6 million. The major reason was due to the delay in unit authorization, primarily in Section 8 Moderate-Rehabilitation, and actual lease-up and expenditures of funds for housing assistance payments.

Current Level Adjustments

The current level budget for the Board of Housing assumes that the board will issue approximately \$200 million in tax-exempt bonds each year in the 1987 biennium. The Board of Housing issued \$200 million in 1983 and projects it will issue \$200 million in 1984 and \$200 million in 1985. Due to the increase in tax-exempt bond issuance trustee fees, operating expenses are increased approximately \$150,000 in the 1987 biennium.

Per diem is included at \$5,040 annually for the Board of Housing in the 1987 biennium.

Audit costs are \$21,896 in fiscal 1986 and \$19,250 in fiscal 1987. Indirect

costs are \$20,764 in fiscal 1986 and \$18,757 in fiscal 1987 for the Board of Housing. Indirect costs are \$12,466 in fiscal 1986 and \$11,256 in fiscal 1987 for the Section 8 Housing Program. Indirect costs were \$19,599 for the Board of Housing and \$14,543 for the Section 8 Housing Program in fiscal 1984.

Office equipment totaling \$1,454 annually is also included for the Section 8 Housing Program.

Grants for Section 8 Housing are detailed in Table 7.

Table 7
Housing Division Grants
1987 Biennium

	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
Section 8 MOD-Rehab	\$2,257,498	\$2,257,498
Section 8 Existing	<u>4,441,310</u>	<u>4,441,310</u>
Total	<u>\$6,698,808</u>	<u>\$6,698,808</u>

The rental assistance provided through the Section 8 Housing Program will subsidize the rent for over 2200 families in the 1987 biennium.

COMMUNITY ASSISTANCE

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	13.00	13.00	13.00	13.00	(0.0)
Personal Service	\$ 333,380	\$ 319,430	\$ 369,549	\$ 372,635	13.6
Operating Expense	342,062	516,966	422,684	393,639	(4.9)
Equipment	28,781	1,184	3,176	199	(88.7)
Inflation	-0-	-0-	6,844	11,310	--
Total Operating Costs	\$ 704,223	\$ 837,580	\$ 802,253	\$ 777,783	2.4
Non-Operating Costs	29,226,721	33,585,565	28,337,704	28,668,040	(9.2)
Total Expenditures	<u>\$29,930,944</u>	<u>\$34,423,145</u>	<u>\$29,139,957</u>	<u>\$29,445,823</u>	<u>(8.9)</u>
<u>Fund Sources</u>					
General Fund	\$ 3,329,350	\$ 394,649	\$ 1,761,287	\$ 1,760,389	(5.4)
State Special	23,557,949	27,526,743	21,085,755	21,392,078	(16.8)
Federal Revenue	<u>3,043,645</u>	<u>6,501,753</u>	<u>6,292,915</u>	<u>6,293,356</u>	<u>31.8</u>
Total Funds	<u>\$29,930,944</u>	<u>\$34,423,145</u>	<u>\$29,139,957</u>	<u>\$29,445,823</u>	<u>(8.9)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. General Purpose Block Grant				
Option a:	\$1,836,000	-0-	\$957,000	-0-

The Community Assistance Division is responsible for providing both financial and technical assistance to Montana local governments. Financial assistance responsibilities include administration of the coal tax land planning funds, the state-funded local government block grant, and the federally-funded Community Development Block Grant Program. Technical assistance programs focus on capital improvements, planning, land use planning and zoning, and financing and management of capital facilities.

The division also includes the Hard Rock Mining Board and the Coal Board. The Hard Rock Mining Board administers the Hard Rock Mining Impact Act of 1981 which requires large scale mineral developers to prepare a plan which identifies anticipated impacts of mining operations on local government services, facilities and revenues, and how additional costs will be met. The Coal Board administers the Local Impact Program with funds from the Coal Severance Tax. The board is responsible for making loans and grants to local governments and school districts to help cover additional costs imposed by the effects of coal development. The

goal of the program is to assist local efforts to plan and help meet needs for public services, such as schools, water and sewer projects, health care and community services.

In the 1987 biennium the Community Assistance Division includes 2 FTE in the Hard Rock Mining Program, 2.5 FTE in the Coal Impact Program and 8.5 FTE in the Community Assistance Program.

Funding

Funding for the Community Assistance Division for the 1987 biennium includes Department of Housing and Urban Development community development block grant and Department of Housing and Urban Development '701' technical assistance grant funds, county land use planning funds, community coal impact grants and state special revenues and general fund to support the local government block grant. In the 1987 biennium, funding for the division is summarized in Table 8.

Table 8
Community Assistance Division
1985 Biennium

<u>Funding</u>	<u>Fiscal 1984</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
General Fund			
Operations	\$ 264,420	\$ 261,287	\$ 260,389
Local Government Block Grant	3,000,000	1,500,000	1,500,000
Oil Severance Tax			
Local Government Block Grant	14,141,740	12,230,000	12,506,000
Coal Tax			
County Land Planning	414,117	448,104	446,175
Coal Board Operations	169,565	189,464	179,466
Local Impact Grants	8,832,493	7,652,262	7,628,490
Metal Mines Tax			
Hard Rock Board Operations	64,960 ¹	147,327	133,312
Hard Rock Grants	-0-	418,598	498,635
Federal Community Development			
Administration	205,314	204,175	204,616
Grants	2,838,335	6,088,740	6,088,740

¹General fund in 1985 biennium.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	10.67	13.00	(2.33)
Personal Services	\$ 317,548	\$ 333,380	\$ (15,832)
Operating Expenses	490,955	342,062	148,893
Equipment	<u>2,306</u>	<u>28,781</u>	(26,475)
Total Operating Costs	\$ 810,809	\$ 704,223	\$ 106,586
Non-Operating Costs	<u>36,795,304</u>	<u>29,226,721</u>	<u>7,568,583</u>
Total Expenditures	<u><u>\$37,606,113</u></u>	<u><u>\$29,930,944</u></u>	<u><u>\$7,675,169</u></u>
<u>Funding</u>			
General Fund	\$ 3,392,665	\$ 3,329,350	\$ 63,315
State Special	26,321,326	23,557,949	2,763,377
Federal Revenue	<u>7,892,122</u>	<u>3,043,645</u>	<u>4,848,477</u>
Total Funds	<u><u>\$37,606,113</u></u>	<u><u>\$29,930,944</u></u>	<u><u>\$7,675,169</u></u>

Under the department's reorganization, the Community Assistance Division received 2.33 FTE in fiscal 1984, including 1.33 FTE transferred from Business Assistance and 1 FTE transferred from Montana Promotion. Two of the new FTE have been moved into clerical positions, a word processing technician and a secretary II. The remaining .33 FTE was used to create a full FTE for the division administrator. All positions transferred are general funded.

Current Level Adjustments

A. Local Government Block Grant

In the 1985 biennium, the Community Assistance Division was authorized \$3 million in general fund and one-third oil severance tax revenue up to \$42 million for the Local Government Block Grant. In the 1987 biennium \$3 million in general fund and \$24,736,000 in state special revenues are included in the division for the Local Government Block Grant.

B. Hard-Rock Mining Board

Fiscal 1984 was not a representative budget year for the board due to delays in the major mineral developments and the lack of grant and loan activities. The board anticipates three plans will be filed for new mineral developments by the end of 1985. Also, implementation of the metal mines license tax trust fund

grant-loan program will begin in fiscal 1986.

Total operations for the Hard Rock Mining Board are \$147,327 in fiscal 1986 and \$133,312 in fiscal 1987. This level of operations reflects a substantial increase over actual fiscal 1984 expenditures of \$64,960. Indirect costs are \$5,096 in fiscal 1986 and \$4,601 in fiscal 1987.

In the 1987 biennium, the Hard Rock Mining Board will be administering \$418,598 in fiscal 1986 and \$498,635 in fiscal 1987 in grants and loans from the hard-rock mining impact trust account to local governments. Whenever the board determines that a mining operation has permanently ceased all mining-related activity or has experienced at least a 50 percent reduction in its full-time equivalent mining work force in the immediately proceeding five-year period, the board may award grants and loans to affected local governments.

In the 1987 biennium, the Hard Rock Mining Board will convert to state special revenue as one-third of the Metal Mines License Tax is earmarked for the board beginning in fiscal 1986. However, not more than 50 percent of the money available in the hard-rock mining impact trust account may be granted or loaned for the purpose of assisting local governments. The hard-rock mining impact account is established in Section 90-6-304, MCA. Moneys are payable into this account from payments made by a mining developer in compliance with the written guarantee from the developer to meet the increased cost of public services and facilities.

C. Community Assistance

The Community Assistance Program provides two basic types of assistance: (1) technical assistance and training in specific areas of community development for local officials, community groups and the private sector, and (2) financial assistance to local governments. The program includes administration of the federally funded Community Development Block Grant (CDBG) Program and state land planning funds. In the 1987 biennium, the program will administer federal CDBG funds totaling \$6,088,740 in fiscal 1986 and \$6,088,740 in fiscal 1987.

The Community Assistance Program will also administer \$448,104 in fiscal 1986 and \$446,175 in fiscal 1987 in coal tax supported land planning grants through a formula allocation to all local governments. The land use planning grants are dispersed directly to local governments. No administrative funds are provided for these grants.

The fiscal 1984 level of operations is not representative of the program's full level of operations. The Community Assistance Program began implementation of

on-site project monitoring for the first time in the last quarter of fiscal 1984. Under full program administration, this monitoring will be occurring year-round. Additionally, as of July 1, 1984, none of the state's grants had been closed out, so the workload level for this portion of program administration has yet to be implemented.

Operations for the Community Assistance Program are \$465,462 in fiscal 1986 and \$465,005 in fiscal 1987. These costs are primarily administrative costs associated with \$6.1 million in grants. Indirect costs are \$20,049 in fiscal 1986 and \$18,145 in fiscal 1987.

D. Coal Impact Board

The Coal Impact Board will administer approximately \$7.6 million annually in grants in the 1987 biennium. Operating costs will be \$189,464 in fiscal 1986 and \$179,466 in fiscal 1987. What is not spent each year of the local impact funds is reverted to the education trust fund.

Indirect costs are \$6,617 in fiscal 1986 and \$6,160 in fiscal 1987.

Issue 1: Local Government Block Grant Program

In the 1985 biennium, the legislature authorized \$3 million in general fund and one-third of oil severance tax revenues for the Local Government Block Grant Program. These funds were distributed to local governments to replace local tax revenues lost under the fee system of vehicle registration. The Local Government Block Grant Program was established in House Bill 600.

The Local Government Block Grant Program is comprised of two parts:

- (1) a general purpose block grant for municipalities, counties, school districts, and other jurisdictions, and
- (2) a general services block grant for counties and municipalities.

The law requires the general purpose block grant be funded before any other distributions are made in an amount sufficient to cover reimbursements to local governments as calculated according to the formula in Section 61-3-536, MCA. The general services block grant for counties and municipalities is funded from a percentage of remaining funds deposited in the state special revenue account.

The formula for calculating the general purpose block grant is based on the number of licensed vehicles per county, multiplied by a cost factor for vehicle tax replacement. The cost factor is determined by statute and varies from county to county. The general purpose block grant for each fiscal year is based on the

preceding calendar year number of licensed vehicles. In fiscal 1984, local government reimbursements through the General Purpose Block Grant Program were \$16,141,739. An additional \$1 million was made available through the general services block grant. Based on the rate of increase in the number of registered vehicles from fiscal 1983 to fiscal 1984 (3.46 percent), the general purpose block grant reimbursements to local governments is estimated to be \$17,278,000 in fiscal 1986 and \$17,875,000 in fiscal 1987. However, based on current estimates of the oil severance tax, revenues will not be sufficient to fully fund the general purpose grant in the 1987 biennium. Table 9 shows a comparison of the estimated cost of the local government reimbursement compared to the amount of available oil severance tax funds and general fund included in the Department of Commerce's current level.

Table 9
General Purpose Block Grant Reimbursement
vs Oil Severance Tax Available

	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
Estimated Cost of Local Government Reimbursement	\$17,278,000	\$17,875,000
Oil Severance Tax	12,230,000	12,506,000
General Fund	<u>1,500,000</u>	<u>1,500,000</u>
Shortfall	\$ 3,548,000	\$ 3,869,000

As Table 9 shows, estimated revenues from one-third of the oil severance tax and the \$1.5 million current level general fund is not adequate to fully fund the General Purpose Block Grant Program in the 1987 biennium. No funding is available for the general services block grant. The 1985 legislature may wish to address this shortfall with one of the following options.

Option a: Authorized general fund of \$3,548,000 in fiscal 1986 and \$3,869,000 in fiscal 1987 to the Department of Commerce to fully fund the General Purpose Block Grant Program in the 1987 biennium.

Option b: Do not authorize additional funds for the General Purpose Block Grant Program in the 1987 biennium.

ECONOMIC POLICY AND RESEARCH

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	7.00	7.00	7.00	7.00	(0.0)
Personal Service	\$160,651	\$198,814	\$199,595	\$199,902	11.1
Operating Expense	191,697	199,037	188,445	183,502	(4.8)
Equipment	2,421	2,400	6,619	789	53.6
Inflation	-0-	-0-	1,446	3,010	--
Total Expenditures	<u>\$354,769</u>	<u>\$400,251</u>	<u>\$396,105</u>	<u>\$387,203</u>	<u>3.7</u>
Fund Sources					
General Fund	<u>\$354,769</u>	<u>\$400,251</u>	<u>\$396,105</u>	<u>\$387,203</u>	<u>3.7</u>

The Economic Policy and Research Program is made up of the Governor's Council on Economic Development, the Governor's Council on Science and Technology, Montana Economic Forecasting and the Census and Economic Information Center. The goals of these programs are: sponsoring economic research to stimulate economic growth, providing policy guidance and advice regarding the application of scientific and technological research for implementation of economic development programs, maintaining demographic and other census-related information for use by business, government, and the general public, and providing detailed information for making decisions regarding Montana's economy.

Funding for the Economic Policy and Research Program is entirely general fund.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	7.00	7.00	0.00
Personal Services	\$159,106	\$160,652	\$(1,546)
Operating Expenses	206,012	191,696	14,316
Equipment	3,900	2,421	1,479
Total Expenditures	<u>\$369,018</u>	<u>\$354,769</u>	<u>\$14,249</u>
Funding			
General Fund	<u>\$369,018</u>	<u>\$354,769</u>	<u>\$14,249</u>

Although fiscal 1984 was the start-up year for the Economic Policy and Research Program, expenditures were closely matched to the appropriation primarily because the legislature authorized a biennial appropriation for the program.

Current Level Adjustments

Table 10 shows a current level summary for each program in the division for the 1987 biennium.

Table 10
Economic Policy and Research
1987 Biennium

<u>Program</u>	<u>FY 84</u>	<u>FY 86</u>	<u>FY 87</u>
Economic Policy and Research Admin.	\$ 48,331	\$ 49,861	\$ 49,463
Governor's Council on Economic Development	18,192	80,619	80,257
Council on Science and Technology	46,558	52,359	50,354
Montana Economic Forecasting	76,577	59,255	58,914
Census and Economic Information	165,111	154,011	148,215
Total	<u>\$354,769</u>	<u>\$396,105</u>	<u>\$387,203</u>

Per diem is included in the 1987 biennium for \$8,800 annually. This will compensate the Governor's Council an Economic Development and Council on Science and Technology.

All operating expenses are continued at current level with the following exceptions: Insurance costs are included at \$1,279 and \$1,286 in the 1987 biennium. Audit costs are \$2,016 in fiscal 1986. Rent is increased approximately \$1,700 in the 1987 biennium. Indirect costs are \$17,155 in fiscal 1986 and \$15,507 in fiscal 1987. Indirect costs were \$13,823 in fiscal 1984.

Office equipment is included for \$6,619 in fiscal 1986 and \$789 in fiscal 1987.

LOCAL GOVERNMENT AUDIT SERVICES

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	28.70	28.70	28.70	28.70	(0.0)
Personal Service	\$ 665,718	\$ 755,501	\$ 771,142	\$ 772,572	8.6
Operating Expense	219,660	266,744	237,804	223,156	(5.2)
Equipment	205	1,000	-0-	-0-	(100.0)
Inflation	-0-	-0-	5,416	8,975	--
Total Operating Costs	\$ 885,583	\$1,023,245	\$1,014,362	\$1,004,703	5.7
Non-Operating Costs	1,375,000	1,375,000	1,375,000	1,375,000	(0.0)
Total Expenditures	<u>\$2,260,583</u>	<u>\$2,398,245</u>	<u>\$2,389,362</u>	<u>\$2,379,703</u>	<u>2.3</u>
Fund Sources					
General Fund	\$1,462,306	\$1,461,600	\$1,461,600	\$1,461,600	0.0
Proprietary Fund	798,277	936,645	927,762	918,103	6.3
Total Funds	<u>\$2,260,583</u>	<u>\$2,398,245</u>	<u>\$2,389,362</u>	<u>\$2,379,703</u>	<u>2.3</u>

The Local Government Audit Services Program is comprised of three functions: local government audits, local government technical assistance and financial assistance to district courts. The program is responsible for auditing the affairs of local governments, providing consultant and research services and technical assistance to local government officials, and providing financial assistance emergency funds to support district courts' operating expenses over and above the local mill levy. The district courts must apply to the Department of Administration for the emergency funds.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	28.70	28.70	0.00
Personal Services	\$ 756,635	\$ 665,718	\$ 90,917
Operating Expenses	259,488	219,660	39,828
Equipment	<u>1,000</u>	<u>205</u>	<u>795</u>
Total Operating Costs	\$1,017,123	\$ 885,583	\$131,540
Grants/Benefits	<u>1,375,000</u>	<u>1,375,000</u>	<u>-0-</u>
Total Costs	<u>\$2,392,123</u>	<u>\$2,260,583</u>	<u>\$131,540</u>
<u>Funding</u>			
General Fund	\$1,462,306	\$1,462,306	\$ -0-
Proprietary Fund	<u>929,817</u>	<u>798,277</u>	<u>131,540</u>
Total Funds	<u>\$2,392,123</u>	<u>\$2,260,583</u>	<u>\$131,540</u>

In fiscal 1984 the Local Government Audit Services Program underspent its appropriation by approximately \$131,000. This relates to the positions vacant throughout fiscal 1984. In fiscal 1984 all the \$1,375,000 in authorized emergency general fund was passed through to the district courts.

Current Level Adjustments

The Local Government Audit Services Program is continued at current level in the 1987 biennium with the following adjustments. Insurance costs are increased approximately \$5,344 annually. These costs were previously paid by the Department of Administration. Audit costs for fiscal 1986 are \$8,379. Indirect costs are \$66,279 in fiscal 1986 and \$59,929 in fiscal 1987. Indirect costs were \$56,589 in fiscal 1984.

In the 1987 bienrium, funding for the local government function is from user fees. In the 1987 biennium \$1,375,000 in general fund is included annually to provide emergency funds for district court operations. Technical assistance for local governments is included in the 1987 biennium at \$86,600 annually. Technical assistance is supported by general fund.

ACCOUNTING AND MANAGEMENT SYSTEMS

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	9.30	9.00	9.00	9.00	(1.6)
Personal Service	\$233,145	\$311,677	\$249,927	\$250,366	(8.1)
Operating Expense	120,295	45,235	117,692	113,103	39.4
Inflation	<u>-0-</u>	<u>-0-</u>	<u>3,915</u>	<u>6,376</u>	<u>--</u>
Total Expenditures	<u>\$353,440</u>	<u>\$356,912</u>	<u>\$371,534</u>	<u>\$369,845</u>	<u>4.3</u>
<u>Fund Sources</u>					
General Fund	\$353,440	\$ 89,211	\$ 89,211	\$ 89,211	(59.6)
Proprietary Fund	<u>-0-</u>	<u>267,701</u>	<u>282,323</u>	<u>280,634</u>	<u>110.2</u>
Total Funds	<u>\$353,440</u>	<u>\$356,912</u>	<u>\$371,534</u>	<u>\$369,845</u>	<u>4.3</u>

The Accounting and Management Services Systems Program is responsible for designing and installing contemporary accounting and reporting systems in local governments, and training local officials in their use.

Beginning with fiscal 1985 the legislature authorized 5.00 FTE to allow school districts to convert their accounting systems to the local government budgeting, accounting and reporting system. This effort was funded through a revolving account. The other four staff positions were authorized to maintain the completed accounting systems for cities, towns and counties. To date, budgeting, accounting, and reporting systems have been developed and installed in all counties, cities and towns.

In the 1987 biennium the Accounting and Management Systems Program is funded with general fund and revolving funds. The contribution of the revolving funds has been maximized to utilize all funds collected in the 1987 biennium.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	9.30	9.30	0.00
Personal Services	\$249,461	\$233,145	\$ 16,316
Operating Expenses	<u>107,451</u>	<u>120,295</u>	<u>(12,844)</u>
Total Expenditures	<u>\$356,912</u>	<u>\$353,440</u>	<u>\$ 3,472</u>
<u>Funding</u>			
General Fund	<u>\$356,912</u>	<u>\$353,440</u>	<u>\$ 3,472</u>

In fiscal 1984, the Accounting and Management System Program transferred a portion of their operating expenses to pay personal services. Due to vacancies, approximately \$8,000 of personal services spending authority was not allocated.

Current Level Adjustments

The Accounting and Management System Program is continued at current level for the 1987 biennium. Audit costs are \$2,709 in fiscal 1986. Indirect costs are \$21,481 in fiscal 1986 and \$19,421 in fiscal 1987. Indirect costs were \$19,797 in fiscal 1984.

INDIAN AFFAIRS COORDINATOR

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>---Current Level---</u>		<u>% Change</u>
	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>1985-87</u>
	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Biennium</u>
F.T.E	3.00	3.00	3.00	3.00	(0.0)
Personal Service	\$44,804	\$61,490	\$ 70,058	\$ 70,087	31.8
Operating Expense	36,786	36,356	30,528	29,265	(18.2)
Equipment	625	-0-	-0-	-0-	(100.0)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>645</u>	<u>1,456</u>	<u>--</u>
Total Expenditures	<u>\$82,215</u>	<u>\$97,846</u>	<u>\$101,231</u>	<u>\$100,808</u>	<u>12.2</u>
<u>Fund Sources</u>					
General Fund	<u>\$82,215</u>	<u>\$97,846</u>	<u>\$101,231</u>	<u>\$100,808</u>	<u>12.2</u>

The Indian Affairs Coordinator serves as the Governor's liaison with the state's Indian tribes and provides information and policy support to state, local, and federal officials in the areas of tribal affairs and Indian law. The coordinator also serves the Montana congressional delegation as an advisor and

intermediary in the field of Indian affairs and acts as spokesman for representative Indian organizations and groups, both public and private, whenever that support is solicited.

The Indian Affairs coordinator is entirely supported with general fund.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	3.00	3.00	0.00
Personal Services	\$61,577	\$44,804	\$16,773
Operating Expenses	34,920	36,786	(1,866)
Equipment	-0-	625	(625)
Total Expenditures	<u>\$96,497</u>	<u>\$82,215</u>	<u>\$14,282</u>
<u>Funding</u>			
General Fund	<u>\$96,497</u>	<u>\$82,215</u>	<u>\$14,282</u>

In fiscal 1984, the Indian Affairs Coordinator Office underspent its personal services appropriation primarily due to an administrative assistant position being vacant approximately 75 percent of the year.

Current Level Adjustments

Personal services increased approximately 32 percent in the 1987 biennium from the 1985 biennium. This increase is a result of a grade increase in the coordinator's position. The coordinator's position underwent a position review which resulted in reclassification early in fiscal 1985. The consequent pay increase from grade 15 to grade 18 is registered in the budget for the 1987 biennium.

Audit costs will be \$882 in fiscal 1986. Audit costs were \$462 in fiscal 1984. Indirect costs are \$6,022 in fiscal 1986 and \$5,437 in fiscal 1987. Indirect costs were \$3,408 in fiscal 1984.

The Indian Affairs coordinator requested no equipment for the 1987 biennium.

BONDING AUTHORITY PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	5.00	5.00	7.00	7.00	39.9
Personal Service	\$ 64,246	\$ 230,005	\$240,076	\$240,621	63.3
Operating Expense	137,704	203,101	168,732	168,323	(1.1)
Equipment	9,630	900	256	1,561	(82.7)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>3,386</u>	<u>6,248</u>	<u>--</u>
Total Expenditures	<u>\$211,580</u>	<u>\$434,006</u>	<u>\$412,450</u>	<u>\$416,753</u>	<u>28.4</u>
Fund Sources					
General Fund	\$194,103	\$186,405	\$194,512	\$192,644	1.7
Proprietary Fund	<u>17,477</u>	<u>247,601</u>	<u>217,938</u>	<u>224,109</u>	<u>66.7)</u>
Total Funds	<u>\$211,580</u>	<u>\$434,006</u>	<u>\$412,450</u>	<u>\$416,753</u>	<u>28.4</u>

The Bonding Authority Program includes the Montana Economic Development Board and the Montana Health Facility Authority.

The Montana Economic Development Board is responsible for administering five development finance programs. The programs include the Coal Tax Loan Program, Stand-Alone Industrial Revenue Bond Program, Montana Capital Companies Program, Composite Industrial Development Revenue Bond Program and Municipal Bond Pooling Program. The goal of the first four programs is to help small Montana businesses obtain long-term, fixed-rate financing through private Montana lending institutions.

The goal of the Montana Health Facility Authority is issuing tax-exempt revenue bonds to provide debt financing to non-profit Montana health institutions. The authority operates two programs, one to provide long-term financing for individual facilities and the other to satisfy the short-term capital needs of a pool of institutions. The goals of the MHFA are to contain health care costs by providing attractively priced financing, to provide small health institutions access to tax-exempt debt markets, and to educate Montana health institutions in capital financing.

Funding for the Bonding Authority Program is from fees collected from applications for financing and general fund. The Montana Health Facilities Authority will be self-supporting from bond fee income.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	5.00	5.00	0.00
Personal Services	\$120,748	\$ 64,246	\$ 56,502
Operating Expenses	188,736	137,704	51,032
Equipment	<u>6,510</u>	<u>9,630</u>	<u>(3,120)</u>
Total Expenditures	<u>\$315,994</u>	<u>\$211,580</u>	<u>\$104,414</u>
<u>Funding</u>			
General Fund	\$213,595	\$194,103	\$ 19,492
Proprietary Fund	<u>102,399</u>	<u>17,477</u>	<u>84,922</u>
Total Funds	<u>\$315,994</u>	<u>\$211,580</u>	<u>\$104,414</u>

Fiscal 1984 was the start-up year for the programs administered by the Montana Economic Development Board and the Montana Health Facilities Authority. The board was cautious in hiring permanent staff until it had fully designed its programs and carefully evaluated staff needs. Therefore, actual expenditures were less than the appropriations.

Current Level Adjustments

Due to fiscal 1984 being a start-up year for the Bonding Authority Program, it would not be representative of a current level of operations for the 1987 bien-nium. Therefore, the 1987 biennium is based on fiscal 1985 authorized level op-erations with one exception. For the Montana Health Facilities Authority, 2 FTE have been added to current level. The 1983 legislature created the MHFA and authorized expenditures of \$100,000, but no FTE were authorized. In fiscal 1984 the MHFA utilized existing department staff and resources.

Operating expenditures have been increased based on authorized fiscal 1985 operations. This resulted in an increase in several expenditure categories. Indirect costs are \$20,635 in fiscal 1986 and \$18,665 in fiscal 1987.

Equipment included in the 1987 biennium includes \$256 in fiscal 1986 and \$1,561 in fiscal 1987 for office equipment.

DIIRECTOR/MANAGEMENT SERVICES

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	18.09	17.50	17.50	17.50	(1.6)
Personal Service	\$428,363	\$443,069	\$448,718	\$449,339	3.0
Operating Expense	108,810	125,747	146,908	83,333	(1.8)
Equipment	24,538	756	5,036	3,036	(68.0)
Inflation	-0-	-0-	2,841	4,967	--
Total Expenditures	<u>\$561,711</u>	<u>\$569,572</u>	<u>\$603,503</u>	<u>\$540,675</u>	<u>1.1</u>
Fund Sources					
General Fund	\$ 1,666	\$ 1,750	\$ 1,800	\$ 1,874	7.5
Proprietary Fund	<u>560,045</u>	<u>567,822</u>	<u>601,703</u>	<u>538,801</u>	<u>1.1</u>
Total Funds	<u>\$561,711</u>	<u>\$569,572</u>	<u>\$603,503</u>	<u>\$540,675</u>	<u>1.1</u>

The Director/Management Services Division consists of the Director's Office, Management Services and Programmer Services. The Director's Office consists of 3 FTE, including the director and staff.

The Management Services Division is responsible for providing budgetary, accounting, financial, purchasing, payroll, personnel, data processing, mail processing and general management support to the programs of the department. Management Services includes 11.5 FTE. The 1983 legislature authorized 12 FTE in fiscal 1984. However, .5 FTE was eliminated from the 1985 appropriation by the department.

Programmer services provides in-house data processing support to the department. The 1983 legislature authorized 3 FTE programmers for the 1985 biennium. However, in fiscal 1984, the division met the existing data processing workload with 2 FTE programmers. The third authorized programmer position was reclassified into a personnel technician to assist in meeting the expanded personnel and payroll load of the department. For the 1987 biennium 1 FTE programmer has been eliminated and 1 FTE personnel technician added to the division's current level operation.

Funding for the Director/Management Services Division is from charges to programs within the agency. Each program pays a share based on its personal services expenditures.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.F.	18.00	18.09	(.09)
Personal Services	\$450,199	\$428,363	\$21,836
Operating Expenses	172,430	108,810	63,620
Equipment	16,756	24,538	(7,782)
Total Expenditures	<u>\$639,385</u>	<u>\$561,711</u>	<u>\$77,674</u>
<u>Funding</u>			
General Fund	\$ 1,750	\$ 1,666	\$ 84
Proprietary Fund	<u>637,635</u>	<u>560,045</u>	<u>77,590</u>
Total Funds	<u>\$639,385</u>	<u>\$561,711</u>	<u>\$77,674</u>

In fiscal 1984, the Director/Management Services Division underspent its appropriation by approximately \$77,000. This was due primarily to the vacancy in the division administrator position in Management Services and one programmer position.

Current Level Adjustments

The County Printing Board is funded in this division at \$1,800 in fiscal 1986 and \$1,874 in fiscal 1987. The remainder of the division is funded at approximately current level for the 1987 biennium. Table 11 summarizes the division operations for the 1987 biennium.

Table 11
Director/Management Services Division

	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
County Printing Board (G.F.)	\$ 1,800	\$ 1,874
Management Services (Revolving)	388,597	325,973
Programmers (Revolving)	81,252	79,761
Director (Revolving)	<u>131,854</u>	<u>133,067</u>
Total	<u>\$603,503</u>	<u>\$540,675</u>

Audit costs are \$63,000 for fiscal 1986. Indirect costs paid by the Programmer's Unit are \$6,096 in fiscal 1986 and \$5,504 in fiscal 1987. Indirect costs were zero in fiscal 1984.

Equipment is included in Management Services for \$4,000 for one personal computer printer and one communications package for a word processor, and \$2,600 to replace two calculators per year. The Programmers Section includes \$1,472 for a desk, chair and calculator.

LEGAL SERVICES

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E.	8.00	8.00	8.00	8.00	(0.0)
Personal Service	\$208,613	\$214,387	\$229,743	\$230,046	8.6
Operating Expense	57,615	94,864	60,376	56,120	(23.5)
Equipment	303	244	181	181	(33.8)
Inflation	-0-	-0-	973	1,857	--
Total Expenditures	<u>\$266,531</u>	<u>\$309,495</u>	<u>\$291,273</u>	<u>\$288,204</u>	<u>0.5</u>
Fund Sources					
General Fund	\$131,001	\$147,085	\$122,006	\$120,931	(12.6)
Proprietary Fund	<u>135,530</u>	<u>162,410</u>	<u>169,267</u>	<u>167,273</u>	<u>12.9</u>
Total Funds	<u>\$266,531</u>	<u>\$309,495</u>	<u>\$291,273</u>	<u>\$288,204</u>	<u>0.5</u>

The Legal Services Program consists of legal staff (4.5 FTE), consumer affairs staff (2.5 FTE) and the Public Contractor's License Program (1 FTE). The legal staff conducts legal actions taken by or against the department and provides continuous legal expertise for every aspect of the department's activities. The consumer affairs staff is responsible for the enforcement of state and federal consumer protection laws relating to the sale and purchase of merchandise for personal use, fair debtor/creditor relationships, truth in lending and Federal Trade Commission rulings concerning unfair and deceptive business practices. The Public Contractors License Program licenses contractor's who bid on public works projects in excess of \$5,000.

The legal staff is funded through in-house charges for legal services. the charge is \$39 per hour for the 1987 biennium. The Consumer Affairs and Public Contractors License Programs are entirely general funded.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	8.00	8.00	0.00
Personal Services	\$215,041	\$208,613	\$ 6,428
Operating Expenses	91,871	57,615	34,256
Equipment	5,250	303	4,947
Total Expenditures	<u>\$312,162</u>	<u>\$266,531</u>	<u>\$45,631</u>
<u>Funding</u>			
General Fund	\$146,537	\$131,001	\$15,536
Proprietary Fund	165,625	135,530	30,095
Total Funds	<u>\$312,162</u>	<u>\$266,531</u>	<u>\$45,631</u>

In fiscal 1984, the Legal Services Program underspent its appropriation by approximately \$45,000. Of that amount, approximately \$30,000 was related to the legal staff providing less legal assistance than was authorized.

Current Level Adjustments

Within the Legal Services Program a .5 FTE Lawyer was transferred from the Consumer Protection Program to the legal staff. This one-half time position will assume the administrative duties for the Legal Services Program. This change is reflected in the 1987 biennium. The transfer of this .5 FTE will increase the program's revolving fund contribution and decrease the general fund contribution.

The Consumer Protection Program contract services budget for legal assistance is increased approximately \$10,000 to compensate for the transfer of the .5 FTE lawyer. Otherwise, the legal staff, Consumer Protection Program and Public Contractor License Program, are continued at approximately the 1984 level of operations. Total budgets of each program are listed in Table 12.

Table 12
Legal Services Division

<u>Legal Services Program</u>	<u>FY 86</u>	<u>FY 87</u>
Legal Services (revolving)	\$169,267	\$167,273
Public Contractors License (G.F)	26,231	26,076
Consumer Protection (G.F.)	<u>95,775</u>	<u>94,855</u>
Total	<u>\$291,273</u>	<u>\$288,204</u>

Office equipment totaling \$181 annually is included in the Public Contractor Licensing Program in the 1987 biennium.

Indirect costs are included in the Legal Services Program in Table 13.

Table 12
Legal Services--Indirect Costs

	<u>FY 86</u>	<u>FY 87</u>
Legal	\$12,187	\$11,010
Public Contractor	1,481	1,338
Consumer Protection	<u>6,079</u>	<u>5,497</u>
Total	<u>\$19,747</u>	<u>\$17,845</u>

INDEX

	<u>PAGE</u>
Administration, Department of	264
Adjutant General	306
Agriculture, Department of	446
Arts Council	703
Auditor, Legislative	57
Auditor, State	134
Commerce, Department of	461
Community Colleges	768
Consumer Counsel	87
Council, Legislative	69
Crime Control, Board of.	190
Deaf and Blind, School for	647
Disaster and Emergency Services (see Military Affairs)	312
Employment Security Division	915
Environmental Quality Council	91
Fiscal Analyst, Legislative	64
Fish, Wildlife and Parks, Department of	332
FTE Comparison	16
General Fund Expenditures by Sucommittee Area	5
General Fund Expenditure Summary by Agency	17
General Fund Summary.	13
General Fund Supplemental Request in Executive Budget.	15
Governor, Office of the	104
Health and Environmental Sciences, Department of	836
Higher Education	
Colleges & Universities	807
Agricultural Experiment Station	774
Bureau of Mines.	793
Commissioner of Higher Education	749
Community Colleges	768
Cooperative Extension Service	798
Forestry and Conservation Experiment Station	803
Regents, Board of.	747
Highways, Department	225

	<u>PAGE</u>
Highway Traffic Safety	187
Historical Society	717
Inflation Factors Used in Budget Analysis	48
Institutions, Department of	
Boulder River School and Hospital	554
Center for the Aged.	565
Central Office	
Director's Program	515
Management Services Division.	518
Alcohol and Drug Abuse Division	525
Mental Health and Residential Services	549
Corrections Division	531
Eastmont Training Center	571
Montana State Hospital	616
Montana Youth Treatment Center.	632
Mountain View School	576
Pardons, Board of.	629
Pine Hills School	580
Prison, State	584
Swan River Youth Forest Camp	606
Veterans' Home	610
Judiciary	94
Justice, Department of	146
Labor and Industry, Department of	899
Lands, Department of State	367
Legislative Auditor	57
Legislative Council	69
Legislative Fiscal Analyst	64
Library Commission	734
Livestock, Department of	395
Long-Range Building (see Summary of Budget Issues)	12
Military Affairs, Department of	304
Natural Resources and Conservation, Department of	416

Other Education

Advisory Council for Vocational Education	700
Distribution to Public Schools	675
Fire Services Training School	643
Historical Society	717
Montana Arts Council	703
Office of Public Instruction	658
Public Education, Board of	639
School for the Deaf and Blind	647
State Library Commission	734
Vocational Technical Centers.	687
Pay Plan	50
Political Practices, Commissioner of	130
Public Education, Board of	639
Public Service Regulation	323
Revenue, Department of	194
Revenue Projection, General Fund	21
Secretary of State	122
Social and Rehabilitation Services, Department of	937
State Auditor	134
State Library	734
Summary of Budget Issues.	8
Superintendent of Public Instruction	658
Supreme Court	97
Total Expenditures by Subcommittee Area	7
University System (see Higher Education)	807
Veterans' Affairs	18
Vocational Education, Advisory Council for	700
Vocational-Technical Centers	687
Workers' Compensation	929

